



**Condensed Consolidated
Financial Information
for Three Quarters
of the Fiscal Year 2006**
(April 1, 2006 through December 31, 2006)

SANYO CHEMICAL INDUSTRIES, LTD

~PERFORMANCE CHEMICALS~

URL <http://www.sanyo-chemical.co.jp/>

Cautionary Statement with Respect to Forward-looking Statement

This financial information 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 conducts 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 to the Tokyo & Osaka Stock Exchange is unaudited.

Ticker code : 4471

Consolidated Financial Highlights (Unaudited)

Results of Operations

	Nine months ended December 31,				Reference FY 2005
	2006		2005		
	Millions of Yen	Change	Millions of Yen	Change	Millions of Yen
Net sales	¥89,886	12.9%	¥79,594	15.8%	¥108,413
Operating income	4,734	(9.5%)	5,230	14.2%	7,197
Ordinary income	5,760	(2.0%)	5,875	15.9%	7,946
Net income	2,915	7.8%	2,705	(9.1%)	3,155

	Nine months ended December 31,		Reference FY 2005
	2006	2005	
	Yen	Yen	Yen
Net income per share	¥26.41	¥24.51	¥27.95
Net income per share, diluted	—	—	27.76

	Nine months ended December 31,		Reference FY 2005
	2006	2005	
	Millions of Yen	Millions of Yen	Millions of Yen
Total assets	¥148,670	¥132,122	¥144,263
Net assets	90,588	85,784	87,322
Equity ratio	59.3%	64.9%	60.5%
Net assets per share	798.49	777.44	790.38

Cash Flows

	Nine months ended December 31,		Reference FY 2005
	2006	2005	
	Millions of Yen	Millions of Yen	Millions of Yen
Operating activities	¥4,319	¥5,149	¥9,067
Investing activities	(6,902)	(7,448)	(16,844)
Financing activities	1,287	(1,742)	8,148
Cash and cash equivalents at the end of period	13,569	9,937	14,405

Forecast

	FY2006: Apr. 1, 2006 through Mar. 31, 2007	
	Consolidated	Non-consolidated
	Millions of Yen	Millions of Yen
Net sales	¥122,000	¥92,000
Ordinary income	8,000	6,000
Net income	3,300	4,000
Net income per share : Yen	29.89	36.23

Notes:

1. Amounts are rounded down to the nearest million.
2. Percentage figures in the above tables are changes from the same period of the previous fiscal year.
3. The computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

Business and Financial Results

(1) Business Review

In the first three quarters under review (April 1 – December 31, 2006), the Japanese economy continued on an overall recovery trend in spite of high costs of raw materials and fuels accompanied by firm personal consumption and rising capital investment against the backdrop of favorable corporate performances.

The chemical industry has enjoyed a favorable business environment due to steady demand. The outlook, however, is increasingly uncertain due primarily to a lack of clarity regarding the future direction of the U.S. economy as well as the still-high costs of raw materials and fuels although these had begun a downward trend.

Net sales in the first three quarters increased by 12.9% from the same period of the previous fiscal year, to ¥89,886 million. This growth was attributable to the increase in sales of thermoplastic polyurethane beads (TUB) for the interior parts of automobiles, and polyester beads (PEB) used as a core component of polymerization toners. These Strategically Developed Products (Strategic Products), which we have developed or are in the process of developing as a new core business, combined with the favorable performance by our existing businesses of raw materials for polyurethane foam and superabsorbent polymers account for this growth.

Operating income decreased by 9.5% from the same period of the previous fiscal year to ¥4,734 million. This is due largely to the surge in raw material and fuel costs, and increasing depreciation and amortization accompanying the large-scale capital expenditure for our Strategic Products. Ordinary income decreased by 2.0% from the same period of the previous fiscal year to ¥5,760 million. However, a revision of product prices due to a sharp rise in raw material and fuel costs and the effect of increased revenues helped to curb the decline in earnings compared with the first-half period.

Net income increased by 7.8% from the same period of the previous fiscal year to ¥2,915 million, primarily due to the non-repetition of impairment loss (¥920 million) of our subsidiaries and affiliates, of which ¥626 million was recorded as an extraordinary loss for the first three quarters of the previous term.

Results for the reporting nine-month period compared with our full-year performance forecasts (on a consolidated basis) released on October 31, 2006, as follows: net sales – 73.7%, operating income – 70.7%, ordinary income – 72.0%, and net income – 88.4%. We will maintain our consolidated and non-consolidated performance forecasts.

Surfactants

Sales of industrial surfactants grew smoothly due to an expansion in sales of surfactants for electronic components, and strong sales for detergent base materials with superior biodegradability (nonionic surfactants derived from higher alcohol). Dispersants and defoamers for paints also increased steadily due to the rising demand in China.

In the area of surfactants for textiles, due to slackening demand for agents for textile manufacturers for clothing, overall sales of surfactants for textiles were weak. However, sales of agents used in textile manufacturing processes for industrial materials such as air bags and seat belts were strong.

As a result, total sales in this product group increased by 2.3% from the same period of the previous fiscal year to ¥16,886 million.

Polyurethane Chemicals

Sales of raw materials for polyurethane foam increased substantially, owing to the continuing vigorous demand in both Japan and overseas, the introduction of new products, and growth in sales of high-performance raw materials for polyurethane foam for automobiles and other products. Also, we revised our product prices to pass on increases in raw material costs.

In the area of polyurethane resins, sales increased substantially. Sales of TUB for the interior parts of automobiles increased both in Japan and overseas, and the development of waterborne resins for automobile paints also contributed to the growth in sales.

As a result, total sales in this product group increased by 22.3% from the same period of the previous fiscal year to ¥22,304 million.

Lipophilic High-molecular Agents

Sales increased in PEB used as a core component of polymerization toners due to the growing popularity of highly-functional copiers. Demand was strong for PEB for both color and black toners. In addition, our market share of toner resins used for conventional pulverized toner rose thanks to the

launch of high-performance products, such as polyester-type toner resins. As a result, sales of office machine-related products increased substantially.

Sales of lubricating oils and machine-related products increased steadily, supported by strong demand for viscosity index improvers for automobile transmissions and the successful launch of lubricity improvers for diesel fuels in compliance with the regulations on low-sulfur content in fuels.

In coating and adhesive-related products, demand increased in Japan and overseas for adhesives for medical equipment and glass fibers. This combined with increased sales of coating agents for fertilizers produced a strong sales performance for the product group.

As a result, total sales in this product group increased by 16.1% from the same period of the previous fiscal year to ¥20,367 million.

Hydrophilic High-molecular Agents

Sales of superabsorbent polymers greatly increased in response to strong demand in Japan and overseas markets for hygiene-use materials such as disposable diapers, with steady production at San-Dia Polymers (Nantong) Co., Ltd. in China, which began commercial production in April 2005.

Sales of water treatment products were weak due to continued escalation in competition in the polymer flocculants market.

As a result, total sales in this product group increased by 10.7% from the same period of the previous fiscal year to ¥18,594 million.

Specialty Products

In the field of polymer modifier-related products, growth was seen in sales of permanent antistatic agents such as for use in packaging materials for electronic components and an increase in demand for resins for automobile paints was also recorded. Thanks to these factors, sales expanded in line with our projections.

In electric/electronic-related products, demand from manufacturers of digital home appliances drove growth in sales of electrolytes for aluminum electrolytic capacitors. This combined with a surge in sales of our chemical mechanical planarization cleaners and silicon wafer processing agents helped to generate a major increase in sales.

Sales also increased in other products, with steady performances by products used in civil engineering and construction, such as epoxy resins for iron reinforcing joints and concrete agents, as well as our new product, paste resins for design models.

As a result, total sales in this product group increased by 13.6% from the same period of the previous fiscal year to ¥10,429 million.

Financial Condition (as of December 31, 2006)

Total assets at the end of the third quarter (Dec. 31) increased by ¥4,407 million from the same period of the previous fiscal year to ¥148,670 million in line with an expansion of sales. The equity ratio declined 1.2 percentage point from the same period of the previous fiscal year, to 59.3%.

Cash and cash equivalents totaled ¥13,569 million at the end of the third quarter, down ¥835 million from the balance at the end of the previous fiscal year. Even though there was a widening of the scope of consolidation that resulted in an increase of ¥354 million, it proved insufficient to offset the overall decline. Below is an overview of cash flows during the period.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥4,319 million. Cash inflows mainly consisted of ¥5,628 million in income before income taxes and minority interests, ¥5,946 million in depreciation and amortization expenses, and ¥5,175 million in notes and accounts payables, which exceeded cash outflows that included notes and accounts receivables of ¥6,513 million, a ¥3,429 million income tax payment, and a ¥1,901 million increase in inventories.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥6,902 million. This was the result of expenditures of ¥9,951 million for the acquisition of fixed assets, and ¥2,249 million to purchase investments in securities, which were partially offset by an inflow of ¥5,000 million from a time deposit that had reached maturity.

Cash Flows from Financing Activities

Net cash provided by financing activities totaled ¥1,287 million, owing primarily to fund procurement totaling ¥3,298 million in long-term loans for capital investment in overseas subsidiaries.

Consolidated Financial Statements

Consolidated Balance Sheets (Assets)

	As of December 31,				Reference : FY 2005	
	2006		2005		As of March 31, 2006	
	Millions of Yen	Composition	Millions of Yen	Composition	Millions of Yen	Composition
ASSETS						
Current assets	69,662	46.9%	58,523	44.3%	67,461	46.8%
Cash and cash equivalents	13,569		9,937		19,405	
Notes and accounts receivable-trade	36,805		32,462		30,254	
Inventories	17,509		14,146		15,560	
Other current assets	1,778		1,976		2,240	
Fixed assets	79,007	53.1%	73,599	55.7%	76,801	53.2%
Property, plant and equipment	49,161	33.1%	47,436	35.9%	47,868	33.2%
Building and structures	13,883		13,448		13,681	
Machinery and equipment	23,654		20,505		23,044	
Land	7,709		7,183		7,201	
Construction in progress	2,166		4,443		1,982	
Other Property, plant and equipment	1,747		1,856		1,957	
Intangible assets	1,684	1.1%	2,087	1.6%	2,020	1.4%
Capitalized computer software costs	681		923		866	
Consolidated goodwill	771		948		905	
Other Intangible assets	230		215		248	
Investments and other assets	28,162	18.9%	24,074	18.2%	26,913	18.6%
Investments in securities	26,515		22,419		25,353	
Long-term loans	62		77		73	
Other Investments and other assets	1,584		1,577		1,485	
Total assets	148,670	100.0%	132,122	100.0%	144,263	100.0%

Consolidated Balance Sheets (Liabilities and shareholders' equity)

	As of December 31,				Reference : FY 2005	
	2006		2005		As of March 31, 2006	
	Millions of Yen	Composition	Millions of Yen	Composition	Millions of Yen	Composition
LIABILITIES						
Current liabilities	34,959	23.5%	33,874	25.6%	33,981	23.6%
Notes and accounts payable-trade	25,286		21,718		20,089	
Short-term loans	971		756		737	
Current portion of long-term loans	367		297		309	
Accrued expenses	2,655		2,387		2,376	
Accrued income taxes	374		994		1,820	
Allowance for bonuses	1,033		998		1,655	
Directors' and corporate auditors' bonuse allowances	48		—		—	
Notes payable-plant and equipment	2,126		3,629		3,038	
Other current liabilities	2,094		3,091		3,955	
Long-term liabilities	23,121	15.6%	10,372	7.9%	20,649	14.3%
Unsecured convertible bonds	10,000		—		10,000	
Long-term loans	4,469		1,512		1,397	
Accrued severance indemnities	5,745		6,067		6,019	
Directors' and corporate auditors' retirement allowances	1,132		1,194		1,214	
Other liabilities	1,773		1,597		2,018	
Total liabilities	58,081	39.1%	44,246	33.5%	54,630	37.9%
Minority interests						
Minority interests	—	—	2,090	1.6%	2,310	1.6%
Shareholders' equity						
Common stock	—	—	13,051	9.9%	13,051	9.0%
Additional pain-in capital	—	—	12,192	9.2%	12,198	8.5%
Retained earnings	—	—	60,175	45.5%	60,626	42.0%
Unrealized gains on securities	—	—	6,481	4.9%	7,169	5.0%
Foreign currency translation adjustments	—	—	(439)	(0.3%)	(81)	(0.1%)
Treasure stock, at cost	—	—	(5,676)	(4.3%)	(5,641)	(3.9%)
Total Shareholders' equity	—	—	85,784	64.9%	87,322	60.5%
Total liabilities, minority interests, and shareholders' equity	—	—	132,122	100.0%	144,263	100.0%
Net assets						
Shareholders' equity	81,415	54.8%	—	—	—	—
Common stock	13,051	8.8%	—	—	—	—
Additional pain-in capital	12,199	8.2%	—	—	—	—
Retained earnings	61,815	41.6%	—	—	—	—
Treasure stock, at cost	(5,650)	(3.8%)	—	—	—	—
Valuation and translation adjustments	6,723	4.5%	—	—	—	—
Unrealized gains on securities	6,622	4.4%	—	—	—	—
Foreign currency translation adjustments	100	0.1%	—	—	—	—
Minority interests	2,450	1.6%	—	—	—	—
Total net assets	90,588	60.9%	—	—	—	—
Total liabilities and net assets	148,670	100.0%	—	—	—	—

Consolidated Statements of Income

	Nine months ended December 31,					Reference : FY 2005	
	2006		2005		Increase (Decrease)		
	Millions of Yen	Percentage	Millions of Yen	Percentage	Millions of Yen	Millions of Yen	Percentage
Net sales	89,886	100.0%	79,594	100.0%	10,291	108,413	100.0%
Cost of sales	71,747	79.8%	61,426	77.2%	10,321	83,884	77.4%
Gross profit	18,138	20.2%	18,168	22.8%	(29)	24,528	22.6%
Selling, general and administrative expenses	13,404	14.9%	12,937	16.2%	467	17,331	16.0%
Operating income	4,734	5.3%	5,230	6.6%	(496)	7,197	6.6%
Non-operating income	1,366	1.5%	947	1.2%	419	1,268	1.2%
Interest income	94		22		71	36	
Dividend income	325		215		110	219	
Equity in earnings of unconsolidated affiliates	492		30		462	168	
Other	453		678		(225)	844	
Non-operating expenses	340	0.4%	302	0.4%	37	519	0.5%
Interest expenses	133		59		74	86	
Other	206		242		(36)	432	
Ordinary income	5,760	6.4%	5,875	7.4%	(115)	7,946	7.3%
Extraordinary profit	31	0.1%	—	—	31	—	—
Gains on sale of investments in securities	29		—		29	—	
reversal of allowance for doubtful receivables	1		—		1	—	
Extraordinary expenses	162	0.2%	738	0.9%	(575)	1,375	1.2%
Loss on assets impairment	—		626		(626)	1,219	
Loss on disposal of fixed assets	162		108		54	134	
Loss on valuation of investment securities	—		3		(3)	22	
Income before income taxes and minority interests	5,628	6.3%	5,137	6.5%	490	6,570	6.1%
Income taxes	2,226	2.5%	2,079	2.6%	146	2,826	2.6%
Minority interests	486	0.6%	352	0.5%	133	588	0.6%
Net income	2,915	3.2%	2,705	3.4%	210	3,155	2.9%

Consolidated Statements of Cash Flows

	Nine months ended December 31,		Reference : FY 2005
	2006	2005	
	Millions of Yen	Millions of Yen	Millions of Yen
Operating Activities			
Income before income taxes and minority interests	5,628	5,137	6,570
Depreciation and amortization	5,946	4,966	6,998
Loss on fixed assets impairment	—	626	1,219
Amortization of difference between investment costs and equity in net assets acquired	134	134	178
Interest and dividend income	(419)	(237)	(255)
Interest expenses	133	59	86
Equity in losses (earnings) of unconsolidated affiliates	(492)	(30)	(168)
Decrease (increase) in notes and accounts receivable	(6,513)	(5,485)	(3,233)
Decrease (increase) in inventories	(1,901)	(1,688)	(3,040)
Decrease (increase) in other assets net	(229)	(433)	(85)
Increase (decrease) in notes and accounts payable	5,175	4,919	3,207
Increase (decrease) in other liabilities	784	454	264
Other	(1,218)	(1,286)	(749)
Sub-total	7,026	7,137	10,994
Interest and cash dividends received	708	697	717
Interest paid	(136)	(60)	(85)
Income taxes paid	(3,429)	(2,724)	(2,726)
Other	150	100	167
Net cash provided by operating activities	4,319	5,149	9,067
Investing activities			
Increase (decrease) of time deposit	5,000	—	(5,000)
Payments for purchase of fixed assets	(9,951)	(6,499)	(8,836)
Payments for purchase of investments in securities	(2,249)	(859)	(2,377)
proceeds from sale of investment in securities	67	—	—
Payments for additional acquisition of stocks of consolidated subsidiaries	—	—	(62)
Disbursements for loans	(141)	(32)	(36)
Payments received on loans	231	64	91
Other	140	(121)	(624)
Net cash used in investing activities	(6,902)	(7,448)	(16,844)
Financing Activities			
Increase(decrease) of short-term debt	682	1,466	1,434
payments for repayment of short-term debt	(456)	(1,236)	(1,236)
Proceeds from long-term loans	3,298	26	26
Repayments of long-term loans	(182)	(168)	(280)
Proceeds from unsecured convertible bonds	—	—	10,000
Purchase of treasury stock	(20)	(23)	(42)
Dividends paid	(1,648)	(1,649)	(1,655)
Other	(384)	(158)	(99)
Net cash used in financing activities	1,287	(1,742)	8,148
Effects of exchange rate changes on cash and cash equivalents	105	188	243
Net increase (decrease) in cash and cash equivalents	(1,189)	(3,852)	614
Cash and cash equivalents at beginning of period	14,405	13,790	13,790
Cash and cash equivalents due to additional consolidation of subsidiaries	354	—	—
Cash and cash equivalents at the end of period	13,569	9,937	14,405

Supplement Data

Results of Operations

Consolidated	Nine months ended December 31,					Reference : FY 2005	
	2006			2005		Millions of Yen	consolidation to parent-only
	Millions of Yen	consolidation to parent-only	Change	Millions of Yen	consolidation to parent-only		
Net sales	89,886	1.3	12.9%	79,594	1.3	108,413	1.3
Gross profit	18,138	1.4	(0.2%)	18,168	1.4	24,528	1.4
Operating income	4,734	1.9	(9.5%)	5,230	1.7	7,197	1.8
Ordinary income	5,760	1.3	(2.0%)	5,875	1.3	7,946	1.4
Net income	2,915	1.0	7.8%	2,705	1.3	3,155	1.3
Investment in plant and equipment	6,908			8,374		11,171	
Depreciation and amortization	5,936			4,950		6,976	

Non-consolidated	Nine months ended December 31,				Reference : FY 2005
	2006		2005		Millions of Yen
	Millions of Yen	Change	Millions of Yen	Millions of Yen	
Net sales	68,252	13.0%	60,424	82,107	
Gross profit	12,708	(0.8%)	12,815	17,164	
Operating income	2,441	(18.6%)	2,999	4,040	
Ordinary income	4,354	(2.0%)	4,443	5,818	
Net income	3,020	45.5%	2,076	2,477	
Investment in plant and equipment	3,467		7,637		9,777
Depreciation and amortization	4,495		3,577		5,093

Trend of each quarter results

Previous Fiscal Year	FY 2005				
	1Q	2Q	3Q	4Q	Total
	Apr., 2005 through Jun., 2005	Jul., 2005 through Sep., 2005	Oct., 2005 through Dec., 2005	Jan., 2006 through Mar., 2006	Apr., 2005 through Mar., 2006
Net sales	25,217	26,217	28,159	28,818	108,413
Gross profit	5,928	5,877	6,361	6,360	24,528
Operating income	1,474	1,665	2,091	1,966	7,197
Ordinary income	1,538	1,900	2,437	2,070	7,946
Net income	333	1,010	1,361	450	3,155

Current Fiscal Year	FY 2006			
	1Q	2Q	3Q	Total
	Apr., 2006 through Jun., 2006	July, 2006 through Sep., 2006	Oct., 2006 through Dec., 2006	Apr., 2006 through Dec., 2006
Net sales	28,973	28,889	32,023	89,886
Gross profit	6,025	5,585	6,527	18,138
Operating income	1,526	1,110	2,097	4,734
Ordinary income	1,880	1,431	2,447	5,760
Net income	882	820	1,212	2,915

Net sales by product groups

	Nine months ended December 31,				Reference : FY 2005	
	2006		2005		Millions of Yen	Composition
	Millions of Yen	Composition	Millions of Yen	Composition		
Surfactants	16,886	18.8%	16,501	20.8%	21,943	20.2%
Polyurethane chemicals	22,304	24.8%	18,233	22.9%	25,358	23.4%
Lipophilic high-molecular agents	20,367	22.7%	17,537	22.0%	23,663	21.8%
Hydrophilic high-molecular agents	18,594	20.7%	16,795	21.1%	23,145	21.4%
Specialty products	10,429	11.6%	9,176	11.5%	12,468	11.5%
Total of chemical products	88,582	98.6%	78,244	98.3%	106,578	98.3%
Non-chemical products, and other	1,304	1.4%	1,349	1.7%	1,835	1.7%
Total	89,886	100.0%	79,594	100.0%	108,413	100.0%

Sales to Foreign Customers

	Nine months ended December 31,				Reference : FY 2005	
	2006		2005		Millions of Yen	Ratio to net sales
	Millions of Yen	Ratio to net sales	Millions of Yen	Ratio to net sales		
Asia	14,296	15.9%	11,367	14.3%	16,241	15.0%
America	6,010	6.7%	4,168	5.2%	5,663	5.2%
Other	6,877	7.6%	6,450	8.1%	8,724	8.0%
Total	27,185	30.2%	21,986	27.6%	30,629	28.2%

Notes:

- Overseas sales refers to sales generated by the parent company or its consolidated subsidiaries outside Japan. Formerly, non-consolidated overseas sales were expressed as sales under the overseas marketing division, but from this first quarter we have changed to the method of recording them as overseas sales when the final user is confirmed as being overseas, for the sake of greater accuracy of reporting. (In line with this change, we have made the following changes to the financial reporting for the previous term).
- Areas included in each country or region are determined based on their degree of proximity.
- Main countries or regions included in the areas other than Japan.
 - Asia: Korea, China, Indonesia, Thailand, and others
 - America: U.S.A., Mexico, Brazil, and others
 - Other: Australia, Europe, Middle East, and others

Reference: Reclassification of Overseas Sales

	Nine months ended December 31, 2005						FY 2005					
	Previous Standard		New Standard		change		Previous Standard		New Standard		change	
	Millions of Yen	Ratio to net sales	Millions of Yen	Ratio to net sales	Millions of Yen	Ratio to net sales	Millions of Yen	Ratio to net sales	Millions of Yen	Ratio to net sales	Millions of Yen	Ratio to net sales
Asia	9,685	12.2%	11,367	14.3%	1,682	2.1%	13,941	12.9%	16,241	15.0%	2,300	2.1%
America	3,967	5.0%	4,168	5.2%	200	0.2%	5,294	4.8%	5,663	5.2%	369	0.4%
Other	4,705	5.9%	6,450	8.1%	1,744	2.2%	6,498	6.0%	8,724	8.0%	2,226	2.0%
Total	18,358	23.1%	21,986	27.6%	3,628	4.5%	25,734	23.7%	30,629	28.2%	4,895	4.5%