



# Fiscal Year 2007 Semi-Annual Report

(April 1, 2007 through Sept. 30, 2007)

**SANYO CHEMICAL INDUSTRIES, LTD.**

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'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 conducts its business, competitive conditions, changes 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 submitted Tokyo & Osaka Stock Exchange is unaudited and for reference only.

Ticker code : 4471

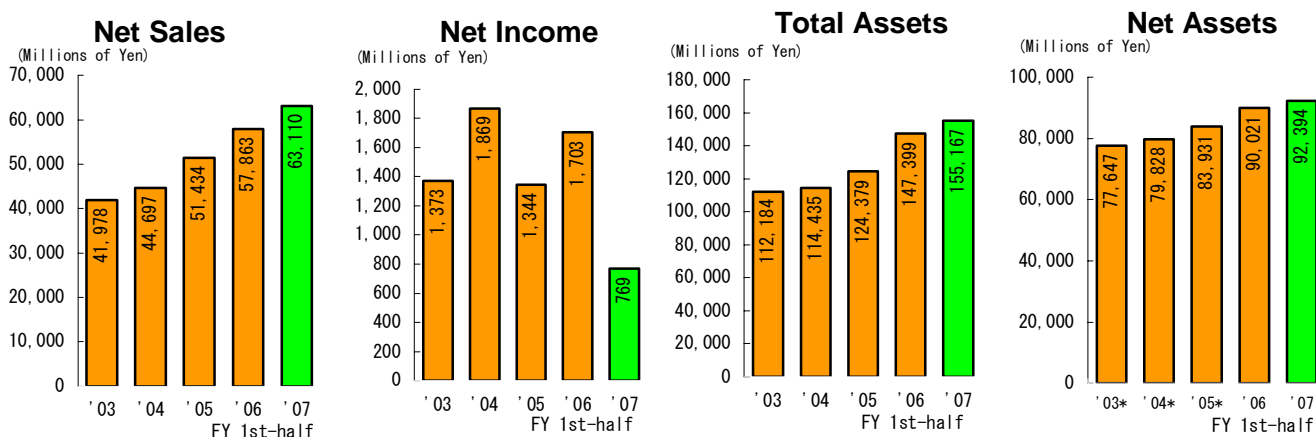
## Consolidated Financial Highlights (Unaudited)

Six months ended September 30, each Fiscal Year	Millions of Yen		
	2007	2006	2005
Net sales	63,110	¥57,863	¥51,434
Operating income	2,314	2,636	3,139
Income before income taxes and minority interests	2,729	3,277	2,745
Net income	769	1,703	1,344
Return on equity	1.7%	3.9%	3.3%
Investment in plant and equipment	4,950	4,562	4,434
Depreciation and amortization	3,965	3,848	3,161

As of September 30, each Fiscal Year	Millions of Yen		
	2007	2006	2005
Total assets	¥155,167	¥147,399	¥124,379
Net assets	92,394	90,021	83,931
Shareholders' equity ratio	57.8%	59.5%	67.5%

	Yen		
	2007	2006	2005
Net income per share	¥6.97	¥15.43	¥12.18
Earnings per share after dilution	6.45	14.28	—
Cash dividends per share	7.5	7.5	7.5
Net assets per share	812.32	794.61	760.59

Note: 1. The computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.



\*For the previous first-half periods, amounts posted under shareholders' equity are shown here

# **Business and Financial Results (Unaudited)**

## **(1) Business Review**

Japan's economy continues on the path to recovery, with private capital investment remaining firm, sustained by the strong performance of the corporate sector. However, future economic prospects are rather murky, with consumer spending in the doldrums and fear of harmful effects from the demoralization of the European and American financial markets triggered by the subprime loan problems in the USA.

In the chemical industry, business conditions continue to be tough, with crude oil prices continuously increasing despite strong domestic demand and exports.

Under these circumstances, Sanyo Chemical has laid out its Seventh Medium-Term Management Plan (FY 2007 to FY 2010), according to which we expanded and globalized the scope of Strategically Developed Products (Strategic Products —products to be developed on a priority basis to enhance profitability and business areas) and tried to reduce costs and revise product prices to match increasing crude oil prices.

In this period, sales volumes have increased satisfactorily, especially in Strategic Products and superabsorbent polymers. Sales increased by 9.1% from the same period of the previous year to ¥63,110 million, due to favorable results in Strategic Products such as thermoplastic polyurethane beads (TUB) for the interior parts of automobiles and superabsorbent polymers and other existing businesses as well as revision of product prices to correspond to soaring crude oil prices.

On the other hand, operating income decreased by 12.2% to ¥2,314 million, and ordinary income decreased by 12.8% to ¥2,888 million. This was because increased sales, price revisions and cost reductions were not sufficient to cover soaring crude oil prices.

Net income decreased by 54.8% from the same period of the previous year to ¥769 million. One of the reasons was that the reduction of deferred tax assets increased income tax adjustments.

Sales by product group were as follows.

### **Surfactants**

Sales of industrial surfactants increased, because of strong sales of detergent base materials with superior biodegradability and base materials for hair care products, as well as product price revisions to match increased material costs and satisfactory sales expansion in China of defoamers and other paint additives.

Sales of surfactants for textiles were rather sluggish. This was because demand for textile agents for clothing remained low, although sales of agents used in textile manufacturing processes for industrial materials such as airbags and carbon fibers increased, especially in overseas markets.

As a result, total sales in this product group increased by 3.4% from the same period of the previous fiscal year to ¥11,407 million.

### **Polyurethane Chemicals**

Sales of raw materials for polyurethane foam increased satisfactorily, sustained by strong demand and because of product price revisions that correspond to higher raw material costs and increased adoption of raw materials for high-performance polyurethane foam for automobile parts.

Sales of polyurethane resins increased significantly because of continued strong sales growth in TUB for the interior parts of automobiles in Japan and overseas and the effects of the new product launch in waterborne resins for automobile paints.

As a result, total sales in this product group increased by 12.8% from the same period of the previous fiscal year to ¥16,261 million.

### **Lipophilic High-Molecular Agents**

Sales of Copier-related products increased, due to steady sales expansion of high-performance polyester-type toner resins for pulverized toners, in spite of sluggish demand for polyester beads (PEB) used as a core component of polymerization toners.

Sales of lubricating oils and machining-related products increased satisfactorily because of the success in expanding sales of lubricity improvers for diesel fuels in compliance with the new regulations on low-sulfur content in diesel fuels and viscosity index improvers for automobile

transmissions.

Sales of coating and adhesive-related products were rather sluggish because sales of binders for fiberglass were stagnant although sales of ultraviolet curing resins and adhesives for medical equipment were strong.

As a result, total sales in this product group increased by 4.3% from the same period of the previous fiscal year to ¥13,459 million.

### Hydrophilic High-Molecular Agents

Sales of superabsorbent polymers increased significantly, due to strong demand for hygiene use materials such as disposable diapers in Japan and overseas and an increase in sales of non-hygiene use materials especially for pets.

Sales of water treatment products recorded a small increase.

As a result, total sales in this product group increased by 15.3% from the same period of the previous fiscal year to ¥13,710 million.

### Specialty Products

Sales of polymer modifier-related products increased substantially. sales of permanent antistatic agents leveled off as a result of inventory adjustments in packaging materials for electronic components, however demand for resin modifiers for special fiber and automobile paints increased.

Sales of electric/electronics-related products increased favorably demand for silicon wafer processing agents was strong in Japan and overseas and sales increased substantially, while sales of electrolytes for aluminum electrolytic capacitors were stagnant due to a temporal inventory adjustment in digital home appliances.

Sales of other products also had a good quarter, supported by strong sales of concrete agents for civil engineering and construction increased.

As a result, total sales in this product group increased by 8.7% from the same period of the previous fiscal year to ¥7,354 million.

### Future Prospects

Japan's economy will sustain stable growth. However, business conditions will continue to be tough, because there are causes for concern, such as the US market conditions and a further rise in crude oil prices.

In recognition of such a state of affairs, Sanyo Chemical will implement the following measures to regain earning power and enjoy a strong growth in profits.

- ① Expansion of the scope of strategically-developed products
- ② Further cost reductions and revision of product prices to match soaring crude oil prices
- ③ Enhancement of R&D capabilities
- ④ Improvements to the profitability of overseas affiliates

By taking these measures thoroughly, Sanyo Chemical will reinforce its corporate structure.

Sales in FY 2007 (full year) will exceed the original forecast.

On the other hand, the income forecast is revised downward on the basis of the track record for the first half, although product price revisions and cost reductions are expected to contribute to the results in the second half.

(Millions of Yen)

	Consolidated basis	Non-consolidated
Net sales	<u>135,000</u> ( 130,000)	<u>100,000</u> ( 98,000)
Operating income	<u>6,100</u> ( 7,500)	<u>3,900</u> ( 4,200)
Ordinary income	<u>7,000</u> ( 8,500)	<u>6,300</u> ( 6,600)
Net income	<u>3,200</u> ( 4,500)	<u>3,400</u> ( 4,600)

Figures in brackets represent original forecasts.

## (2) Analysis of Financial Conditions

Total assets at the end of the interim period increased by ¥2,001 million from the end of the previous fiscal year to ¥155,167 million. Current assets decreased by ¥1,978 million to ¥70,580 million, mainly due to a ¥1,703 million decrease in cash and cash equivalents and a ¥1,047 million decrease in notes receivable and accounts receivable. Fixed assets increased by ¥3,979 million to ¥84,587 million, due to a ¥1,695 million increase in property, plant and equipment and a ¥2,492 million increase in investments and other assets (from the acquisition of investments, securities etc.).

Current liabilities increased by ¥550 million from the end of the previous fiscal year to ¥38,681 million, mainly due to a ¥934 million increase in notes payable and accounts payable. Fixed liabilities increased by ¥256 million from the end of the previous fiscal year to ¥24,091 million, mainly due to a ¥681 million increase in deferred tax assets.

Net assets at the end of the interim period increased by ¥1,194 million from the end of the previous fiscal year to ¥92,394 million, due to ¥769 million in interim net income, ¥648 million increase in unrealized gains on securities (because of marking to market of shares), ¥827 million in dividend payments, etc.

As a result, shareholders' equity ratio was 57.8%, the same as in the previous fiscal year.

(Millions of Yen)

	Six months ended Sept. 30,		Increase (decrease)
	2006	2007	
Net cash provided by operating activities	2,660	5,360	2,699
Net cash used in investing activities	(4,004)	(6,480)	(2,476)
Net cash used in financing activities	2,231	(615)	(2,847)
Effects of exchange rate changes on cash and cash equivalents	(6)	31	38
Net increase (decrease) in cash and cash equivalents	881	(1,703)	(2,585)
Cash and cash equivalents due to additional consolidation of subsidiaries	—	—	—
Cash and cash equivalents at the end of period	15,640	13,583	(2,057)

Cash and cash equivalents (“funds”) at the end of the interim period decreased by ¥1,703 million from the end of the previous fiscal year to ¥13,583 million.

Cash flows were as follows.

### Cash flows from operating activities

Funds increased by ¥5,360 million from operating activities. This is because the increase in funds (¥2,729 million income before income taxes and minority interests, ¥3,968 million depreciation and amortization, ¥1,157 million decrease in notes and accounts receivable, etc.) exceeded the decrease in funds (¥679 million increase in inventories, ¥1,094 million in income tax payments, etc.).

### Cash flows from investment activities

Funds decreased by ¥6,480 million from investment activities. This is due to the payment of ¥4,688 million for the acquisition of fixed assets, ¥1,783 million for investments in securities, etc.

### Cash flows from financing activities

Funds decreased by ¥615 million from financing activities. This is due to dividend payments etc.

The trend in the cash flow indices of Sanyo Chemical is as follows.

	81st period Ended March 2005	82nd period Ended March 2006	83rd period Ended March 2007	84th interim period Ended September 2007
Shareholders' equity ratio (%)	67.4	60.5	57.8	57.8
Shareholders' equity ratio on a market basis (%)	75.8	81.6	58.3	50.9
Ratio of liabilities with interest to cash flows (annual)	0.2	1.4	1.8	1.6
Interest coverage ratio	194.8	105.8	49.3	51.8

(Note) Shareholders' equity ratio = Equity capital/Total assets

Shareholders' equity ratio on a market basis = Market capitalization/Total assets

Ratio of liabilities with interest to cash flows = Liabilities with interest/Cash flows from operating activities

(For interim periods, cash flows are annualized.)

Interest coverage ratio = Cash flows from operating activities/Interest payment

\* Consolidated figures are used for all indices.

\* Market capitalization is (Closing price at period end) × (Number of outstanding shares at period end (less own shares)).

\* Cash flows from operating activities are those on the consolidated cash flows statement. Interest payment is the amount of interest paid on the consolidated cash flows statement.

\* For the calculation of ratio of liabilities with interest to cash flows, liabilities with interest include bonds (zero-coupon).

### (3) Basic Principle of Profit Sharing and Dividends in the Current and Next Periods

We consider it an important management challenge to enhance the Company's profitability in order to strengthen its capital position for the future and to share profits with our shareholders.

We make it a basic principle to pay stable dividends with a payout ratio of more than 30% as a target. We will utilize retained earnings for investments that will lead growth in the future. Dividends in the current period will be ¥15 per share including an interim dividend of ¥7.50 per share.

### (4) Business Risks

The following matters may significantly affect the operating results, share price and financial conditions of Sanyo Chemical.

#### **Economic conditions**

The demand for the Company's products is influenced by the economic conditions of the country or area in which such products are sold.

If demand contracts with a recession in the Company's major market in Japan, North America, Europe or Asia, it may have a bad influence of the operating results and financial conditions of the Company.

#### **Exchange rates**

With the expansion of the Company's overseas operations, it will be more likely that exchange rate fluctuations will have serious impacts on the operating results and financial conditions.

#### **Fluctuations in raw materials costs**

Most of our raw materials are made from crude oil. Crude oil prices fluctuate depending on the situation in the Middle East, demand-supply balance, exchange rates, and so on. Higher raw materials costs caused by surging crude oil prices will seriously damage the operating results.

**Earthquakes and other natural disasters**

The Nagoya Factory, our main factory, is situated in Aichi Prefecture, where a Tokai earthquake may strike.

Sanyo Chemical has taken countermeasures such as seismic retrofitting and duplication of production facilities.

However, if an earthquake should occur, production may be suspended and facilities may be damaged, and the operating results will be seriously influenced.

**Country risks**

We have overseas production facilities in USA, Thailand and China.

With such globalization, (a) unexpected changes in laws or regulations or (b) social disorder caused by political factors may have a serious influence on the operating results and financial conditions.

# Management Policy

## **(1) Basic Principles of Corporate Management**

Guided by our Company Motto, *Let us contribute to building a better society through our corporate activities*, we are committed to promoting *Individual-based management* to offer value to customers, clients, shareholders, employees and society. *Individual-based management* will give our employees the chance to address new challenges and achieve self-actualization.

With this as our basic principle, we will put our energies into developing inventive products with high added value, and pay special attention to safety and the environment. We will continue to make Sanyo Chemical attractive to our shareholders, investors and other stakeholders.

## **(2) Target Indices and Medium to Long Term Strategy**

Sanyo Chemical has laid out its Seventh Medium-Term Management Plan (FY 2007 to FY 2010) with the slogan of "Challenge 10." The plan represents our basic strategy for surviving and continuing to grow as a truly unique and excellent corporate group that operates on a global scale in an age of global competition.

According to the Plan, we will enhance our R&D capabilities and actively invest in Strategic Products (note) as well as existing products in order to achieve the following targets.

By the final fiscal year, FY2010, we aim for: net sales of ¥170 billion or higher, ordinary income of ¥18 billion or higher (a ratio of ordinary income to net sales of 10% or higher), ROE of 10% or higher.
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(Note) Strategic Products are products developed on a priority basis to enhance profitability and business areas.

## **(3) Problems to Be Addressed**

We will improve the financial position and increase our capital strength by addressing the following problems in the future.

- a. Promotion and implementation of *Individual-based management* to foster self-reliance and creativity of employees
- b. Exhaustive cost reduction efforts to strengthen our competitiveness
- c. Enhancement of R&D capabilities
- d. Strengthening of the group management (bringing overseas subsidiaries into the black)
- e. Safety and harmony with the environment

## **(4) Other Significant Matters Related to Corporate Management**

There are none.

# Consolidated Financial Statements (Unaudited)

## Consolidated Balance Sheets (Assets)

	As of September 30,				Reference : FY 2006 As of March 31, 2007	
	2006		2007		Millions of Yen	Composition
	Millions of Yen	Composition	Millions of Yen	Composition		
<b>ASSETS</b>						
<b>Current assets</b>	69,237	47.0%	<b>70,580</b>	<b>45.5%</b>	72,558	47.4%
Cash and cash equivalents	15,640		<b>13,583</b>		15,287	
Notes and accounts receivable-trade	34,313		<b>37,125</b>		38,173	
Inventories	17,370		<b>17,912</b>		17,108	
Deferred tax assets	812		<b>991</b>		1,281	
Other current assets	1,127		<b>995</b>		737	
Allowance for doubtful accounts	(26)		<b>(28)</b>		(29)	
<b>Fixed assets</b>	78,161	53.0%	<b>84,587</b>	<b>54.5%</b>	80,607	52.6%
Property, plant and equipment	48,630	33.0%	<b>51,812</b>	<b>33.4%</b>	50,116	32.7%
Building and structures	13,911		<b>13,713</b>		13,661	
Machinery and equipment	23,465		<b>22,317</b>		23,124	
Land	7,687		<b>7,829</b>		7,750	
Construction in progress	1,732		<b>5,912</b>		3,677	
Other Property, plant and equipment	1,833		<b>2,038</b>		1,903	
Intangible assets	1,795	1.2%	<b>1,353</b>	<b>0.9%</b>	1,561	1.0%
Capitalized computer software costs	741		<b>514</b>		650	
Consolidated goodwill	816		<b>637</b>		727	
Other Intangible assets	237		<b>200</b>		184	
Investments and other assets	27,734	18.8%	<b>31,421</b>	<b>20.2%</b>	28,928	18.9%
Investments in securities	26,106		<b>29,876</b>		27,275	
Long-term loans	65		<b>50</b>		58	
Deferred tax assets	309		<b>353</b>		328	
Other Investments and other assets	1,326		<b>1,214</b>		1,339	
Allowance for doubtful accounts	(72)		<b>(73)</b>		(73)	
<b>Total assets</b>	<b>147,399</b>	<b>100.0%</b>	<b>155,167</b>	<b>100.0%</b>	153,165	100.0%

## Consolidated Balance Sheets (Liabilities and shareholders' equity)

	As of September 30,				Reference : FY 2006	
	2006		2007		As of March 31, 2007	
	Millions of Yen	Composition	Millions of Yen	Composition	Millions of Yen	Composition
<b>LIABILITIES</b>						
<b>Current liabilities</b>	33,966	23.0%	<b>38,681</b>	<b>24.9%</b>	38,130	24.9%
Notes and accounts payable-trade	23,905		<b>27,477</b>		26,542	
Short-term loans	988		<b>1,458</b>		828	
Current portion of long-term loans	309		<b>449</b>		358	
Accrued expenses	2,799		<b>3,050</b>		3,019	
Accrued income taxes	828		<b>754</b>		1,127	
Allowance for bonuses	1,319		<b>1,369</b>		1,677	
Directors' and corporate auditors' bonuse allowances	32		<b>35</b>		71	
Notes payable-plant and equipment	2,086		<b>1,834</b>		1,994	
Other current liabilities	1,696		<b>2,252</b>		2,511	
<b>Long-term liabilities</b>	23,410	15.9%	<b>24,091</b>	<b>15.5%</b>	28,834	15.6%
Unsecured convertible bonds	10,000		<b>10,000</b>		10,000	
Long-term loans	4,483		<b>5,126</b>		5,138	
Deferred tax liabilities	1,083		<b>1,714</b>		1,033	
Accrued severance indemnities	5,831		<b>5,364</b>		5,664	
Directors' and corporate auditors' retirement allowances	1,112		<b>1,087</b>		1,153	
Other liabilities	900		<b>798</b>		844	
<b>Total liabilities</b>	<b>57,377</b>	<b>38.9%</b>	<b>62,772</b>	<b>40.4%</b>	61,965	40.5%
<b>Net assets</b>						
Shareholders' equity	81,039	55.0%	<b>81,475</b>	<b>52.5%</b>	81,544	53.3%
Common stock	13,051	8.8%	<b>13,051</b>	<b>8.4%</b>	13,051	8.5%
Additional paid-in capital	12,199	8.3%	<b>12,200</b>	<b>7.9%</b>	12,200	8.0%
Retained earnings	61,430	41.7%	<b>61,893</b>	<b>39.9%</b>	61,951	40.5%
Treasure stock, at cost	(5,642)	(3.8%)	<b>(5,668)</b>	<b>(3.7%)</b>	(5,657)	(3.7%)
Valuation and translation adjustments	6,679	4.5%	<b>8,171</b>	<b>5.3%</b>	6,921	4.5%
Unrealized gains on securities	6,868	4.6%	<b>7,265</b>	<b>4.7%</b>	6,616	4.3%
Foreign currency translation adjustments	(189)	(0.1%)	<b>906</b>	<b>0.6%</b>	305	0.2%
Minority interests	2,302	1.6%	<b>2,747</b>	<b>1.8%</b>	2,734	1.7%
<b>Total net assets</b>	<b>90,021</b>	<b>61.1%</b>	<b>92,394</b>	<b>59.6%</b>	91,200	59.5%
<b>Total liabilities and net assets</b>	<b>147,399</b>	<b>100.0%</b>	<b>155,167</b>	<b>100.0%</b>	153,165	100.0%

## Consolidated Statements of Income

	Six months ended September 30,					Reference : FY 2006	
	2006		2007		Increase (Decrease)		
	Millions of Yen	Percentage	Millions of Yen	Percentage	Millions of Yen	Millions of Yen	Percentage
<b>Net sales</b>	57,863	100.0%	<b>63,110</b>	<b>100.0%</b>	<b>5,247</b>	122,397	100.0%
Cost of sales	46,252	79.9%	<b>51,444</b>	<b>81.5%</b>	<b>5,191</b>	97,639	79.8%
<b>Gross profit</b>	11,610	20.1%	<b>11,666</b>	<b>18.5%</b>	<b>55</b>	24,757	20.2%
Selling, general and administrative expenses	8,974	15.5%	<b>9,352</b>	<b>14.8%</b>	<b>377</b>	18,204	14.8%
<b>Operating income</b>	2,636	4.6%	<b>2,314</b>	<b>3.7%</b>	<b>(322)</b>	6,553	5.4%
Non-operating income	888	1.5%	<b>800</b>	<b>1.3%</b>	<b>(87)</b>	1,949	1.6%
Interest income	36		<b>70</b>			133	
Dividend income	210		<b>173</b>			329	
Equity in earnings of unconsolidated affiliates	359		<b>192</b>			687	
Other	281		<b>363</b>			799	
Non-operating expenses	212	0.4%	<b>226</b>	<b>0.4%</b>	<b>14</b>	478	0.4%
Interest expenses	75		<b>107</b>			187	
Other	136		<b>118</b>			290	
<b>Ordinary income</b>	3,312	5.7%	<b>2,888</b>	<b>4.6%</b>	<b>(424)</b>	8,024	6.6%
Extraordinary profit	29	0.1%	–	–	<b>(29)</b>	<b>47</b>	0.0%
Gains on sale of fixed assets	–		–			<b>17</b>	
Gains on sale of investments in securities	29		–			<b>29</b>	
Extraordinary expenses	64	0.1%	<b>158</b>	<b>0.3%</b>	<b>94</b>	1,599	1.3%
Loss on assets impairment	–		–			669	
Loss on disposal of fixed assets	64		<b>148</b>			224	
Loss on valuation of investment securities	–		<b>10</b>			–	
Loss on valuation of inventories	–		–			505	
Prior license fee	–		–			200	
<b>Income before income taxes and minority interests</b>	3,277	5.7%	<b>2,729</b>	<b>4.3%</b>	<b>(548)</b>	6,471	5.3%
<b>Income taxes - current</b>	934	1.6%	<b>743</b>	<b>1.2%</b>	<b>(190)</b>	2,730	2.2%
<b>Income taxes - deffered</b>	323	0.6%	<b>955</b>	<b>1.5%</b>	<b>631</b>	(43)	0.0%
<b>Minority interests</b>	315	0.6%	<b>261</b>	<b>0.4%</b>	<b>(54)</b>	732	0.6%
<b>Net income</b>	1,703	2.9%	<b>769</b>	<b>1.2%</b>	<b>(933)</b>	3,051	2.5%

## Consolidated Statements of Changes in Net Assets

April 1, 2006 through September 30, 2006

(Millions of Yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	13,051	12,198	60,626	(5,641)	80,234
Changes in this period					
Cash dividends paid			(827)		(827)
Bonuses to directors and corporate auditors			(71)		(71)
Net income			1,703		1,703
Gain from disposal of treasury stock		1			1
Purchase of treasury stock				(11)	(11)
Decrease of treasury stock				10	10
Net changes of other than shareholders' equity in this period					
Total changes in this period	-	1	804	(0)	805
Balance at September 30, 2006	13,051	12,199	61,430	(5,642)	81,039

(Millions of Yen)

	Valuation and translation adjustment			Minority interests	Total net assets
	Unrealized gains on securities	Foreign currency translation adjustments	Total valuation and translation adjustment		
Balance at March 31, 2006	7,169	(81)	7,088	2,310	89,632
Changes in this period					
Cash dividends paid					(827)
Bonuses to directors and corporate auditors					(71)
Net income					1,703
Gain from disposal of treasury stock					1
Purchase of treasury stock					(11)
Decrease of treasury stock					10
Net changes of other than shareholders' equity in this period	(300)	(108)	(409)	(7)	(416)
Total changes in this period	(300)	(108)	(409)	(7)	389
Balance at September 30, 2006	6,868	(189)	6,679	2,302	90,021

April 1, 2007 through September 30, 2007

(Millions of Yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2007	13,051	12,200	61,951	(5,657)	81,544
Changes in this period					
Cash dividends paid			(827)		(827)
Net income			769		769
Gain from disposal of treasury stock		(0)			(0)
Purchase of treasury stock				(13)	(13)
Decrease of treasury stock				2	2
Net changes of other than shareholders' equity in this period					
Total changes in this period	-	(0)	(58)	(11)	(69)
Balance at September 30, 2007	13,051	12,200	61,893	(5,668)	81,475

(Millions of Yen)

	Valuation and translation adjustment			Minority interests	Total net assets
	Unrealized gains on securities	Foreign currency translation adjustments	Total valuation and translation adjustment		
Balance at March 31, 2007	6,616	305	6,921	2,734	91,200
Changes in this period					
Cash dividends paid					(827)
Net income					769
Gain from disposal of treasury stock					(0)
Purchase of treasury stock					(13)
Decrease of treasury stock					2
Net changes of other than shareholders' equity in this period	648	601	1,250	13	1,263
Total changes in this period	648	601	1,250	13	1,194
Balance at September 30, 2007	7,265	906	8,171	2,747	92,394

April 1, 2006 through March 31, 2007

(Millions of Yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	13,051	12,198	60,626	(5,641)	80,234
Changes in this period					
Cash dividends paid			(1,655)		(1,655)
Bonuses to directors and corporate auditors			(71)		(71)
Net income			3,051		3,051
Gain from disposal of treasury stock		1			1
Purchase of treasury stock				(28)	(28)
Decrease of treasury stock				12	12
Net changes of other than shareholders' equity in this period					
Total changes in this period	-	1	1,325	(15)	1,310
Balance at March 31, 2007	13,051	12,200	61,951	(5,657)	81,544

(Millions of Yen)

	Valuation and translation adjustment			Minority interests	Total net assets
	Unrealized gains on securities	Foreign currency translation adjustments	Total valuation and translation adjustment		
Balance at March 31, 2006	7,169	(81)	7,088	2,310	89,632
Changes in this period					
Cash dividends paid					(1,655)
Bonuses to directors and corporate auditors					(71)
Net income					3,051
Gain from disposal of treasury stock					1
Purchase of treasury stock					(28)
Decrease of treasury stock					12
Net changes of other than shareholders' equity in this period	(553)	386	(166)	424	257
Total changes in this period	(553)	386	(166)	424	1,568
Balance at March 31, 2007	6,616	305	6,921	2,734	91,200

# Consolidated Statements of Cash Flows

	Six months ended December 31,		Reference : FY 2006
	2006	2007	
	Millions of Yen	Millions of Yen	Millions of Yen
<b>Operating Activities</b>			
Income before income taxes and minority interests	3,277	2,729	6,471
Depreciation and amortization	3,857	3,968	8,166
Net loss on disposal of fixed assets	64	148	224
Loss on assets impairment	—	—	669
Amortization of goodwill	89	89	178
Increase (decrease) in allowance for doubtful accounts	1	0	3
Increase (decrease) in allowance for bonuses	(335)	(308)	22
Net increase (decrease) in accrued severance indemnities	(187)	(299)	(354)
Increase (decrease) in Directors' and corporate auditors' retirement allowances	(101)	(66)	(60)
Increase in allowance for bonuses to directors and corporate auditors	32	(36)	71
Loss on valuation of inventories	—	—	505
Interest and dividend income	(247)	(244)	(462)
Interest expenses	75	107	187
Equity in losses (earnings) of unconsolidated affiliates	(359)	(192)	(687)
Gain on sale of property and equipment	—	—	(17)
Gains on sale of investments in securities	(29)	—	(29)
Loss on valuation of investments in securities	—	10	—
Other, non-operating income	(281)	(362)	(799)
Other, non-operating expenses	69	77	150
Decrease (increase) in notes and accounts receivable	(4,076)	1,157	(7,831)
Decrease (increase) in inventories	(1,825)	(679)	(1,964)
Decrease (increase) in other assets net	(309)	(360)	(73)
Increase (decrease) in notes and accounts payable	3,849	784	6,350
Increase (decrease) in consumption tax payable	122	(243)	287
Decrease (increase) in consumption tax receivable	—	82	99
Increase (decrease) in other liabilities	464	(328)	560
Directors' and corporate auditors' bonuses paid	(71)	—	(71)
Sub-total	4,078	6,033	11,598
Interest and cash dividends received	436	424	925
Interest paid	(79)	(103)	(188)
Other, non-operating proceeds	257	276	612
Other, non-operating payments	(88)	(175)	(282)
Income taxes paid	(1,942)	(1,094)	(3,376)
<b>Net cash provided by operating activities</b>	<b>2,660</b>	<b>5,360</b>	<b>9,289</b>
<b>Investing activities</b>			
Increase (decrease) of time deposit	5,000	—	5,000
Payments for purchase of fixed assets	(7,719)	(4,688)	(12,998)
Proceeds from sale of fixed assets	1	2	26
Payments for purchase of investments in securities	(1,559)	(1,783)	(2,950)
Proceeds from sale of investment in securities	67	—	67
Disbursements for loans	(138)	(70)	(141)
Payments received on loans	146	88	266
Other, investing payments	(295)	(296)	(481)
Other, investing proceeds	493	268	570
<b>Net cash used in investing activities</b>	<b>(4,004)</b>	<b>(6,480)</b>	<b>(10,643)</b>
<b>Financing Activities</b>			
Increase(decrease) of short-term debt	529	1,645	1,277
Repayments of short-term debt	(264)	(1,071)	(1,209)
Proceeds from long-term loans	3,294	200	4,066
Repayments of long-term loans	(182)	(186)	(308)
Purchase of treasury stock	(11)	(13)	(28)
Proceeds from sale of treasury stock	12	2	13
Dividends paid	(827)	(827)	(1,655)
Payments of cash dividends to minority shareholders	(318)	(364)	(398)
<b>Net cash used in financing activities</b>	<b>2,231</b>	<b>(615)</b>	<b>(1,758)</b>
<b>Effects of exchange rate changes on cash and cash equivalents</b>	<b>(6)</b>	<b>31</b>	<b>122</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>881</b>	<b>(1,703)</b>	<b>527</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>14,405</b>	<b>15,287</b>	<b>14,405</b>
<b>Cash and cash equivalents due to additional consolidation of subsidiaries</b>	<b>354</b>	<b>—</b>	<b>354</b>
<b>Cash and cash equivalents at the end of period</b>	<b>15,640</b>	<b>13,583</b>	<b>15,287</b>

## (5) Significant Matters as the Basis of the Consolidated Financial Statements for the Interim Period

### 1. Matters related to the scope of consolidation

Consolidated subsidiaries -- Ten companies including San-Dia Polymers, Ltd., San Chemical Co., Ltd., Sanyo Kasei (Nantong) Co., Ltd., San-Dia Polymers (Nantong) Co. Ltd. (SDN), and six other companies

Non-consolidated subsidiaries Six companies including Sanyo Kasei (Shanghai) Trade Co., Ltd., Sanyo Transportation Co., Ltd., San-Nopco (Shanghai) Trade Co., Ltd. and three other companies

Non-consolidated subsidiaries are not included in the scope of consolidation because they are small in size and their total assets, sales, net incomes (their shares) and retained earnings (their shares) do not affect the consolidated financial statements significantly.

### 2. Matters related to accounting by the equity method

Equity method non-consolidated subsidiaries Three companies (Sanyo Transportation and two other companies)

Equity method affiliates ----- Three companies (San-Petrochemicals Co., Ltd. and two other companies)

Non-equity method non-consolidated subsidiaries Three companies (Sanyo Kasei (Shanghai) Trade Co., Ltd., San-Nopco (Shanghai) Trade Co., Ltd. and another company)

Non-equity method affiliates ----- Two companies (Dah Shyang Chemical Co., Ltd. and one other company)

Non-equity method companies are not included in the scope of equity method companies because they are small in scale and their net incomes and losses (their shares) and retained earnings (their shares) do not affect the consolidated financial statements significantly.

### 3. Matters related to consolidated subsidiaries' interim settlement date

Six companies (Sanyo Chemical and Resins Inc., Sanyo Kasei (Thailand) Ltd., SANAM Corporation, Sanyo Kasei (Nantong) Co., Ltd., San-Dia Polymers (Nantong) Co. Ltd. (SDN) and Sanyo Chemical Texas Inc.) settle their accounts on a different date (on June 30) from the companies in the consolidated financial statement for the interim period.

The interim financial statements as of the interim settlement dates are used to prepare the consolidated financial statements for the interim period. Adjustments necessary for consolidation are made to significant transactions between the interim settlement dates.

### 4. Matters related to the accounting standards

#### (1) Standards and methods used to evaluate material assets

##### ① Securities

Held-to-maturity debt securities Amortized cost method (straight-line method)

Other securities

Those with market values --- Market value method based on the market value on the interim settlement date (Unrealized gains are included in net assets and sales cost is calculated by the moving average method.)

Those without market values Cost basis by the moving average method

##### ② Inventories

Cost basis by the monthly average method

#### (2) Methods for the depreciation of material depreciable assets

##### ① Tangible fixed assets

The Company and its consolidated subsidiaries in Japan use the fixed rate method (straight-line method for buildings (except attached facilities) acquired on or after April 1, 1998), while the consolidated subsidiaries in foreign countries use the straight-line method.

Assets' useful lives are as follows.

Buildings and structures 3 to 50 years  
Machinery and vehicles 4 to 8 years

(Change in accounting policy)

With the revision of the Corporation Tax Law, the Company and its consolidated subsidiaries in Japan adopted the depreciation method in the revised Law for tangible fixed assets acquired on or after April 1, 2007.

This reduced operating income by ¥44 million, and ordinary income and income before income taxes and minority interests by ¥45 million.

(Additional information)

With the revision of the Corporation Tax Law, the Company and its consolidated subsidiaries in Japan changed the method of depreciation of tangible fixed assets acquired on or before March 31, 2007: starting from the fiscal year following the one in which accumulated depreciation exceeds 5% of the acquisition price, the difference between 5% of the acquisition price and the memorandum price is amortized in equal annual installments over five years and is recorded as part of depreciation and amortization.

This reduced operating income by ¥203 million, and ordinary income and income before income taxes and minority interests by ¥210 million.

② Intangible fixed assets

The straight-line method is used.

Software for internal use is amortized by the straight-line method on the basis of a useful life of five years.

(3) Standards for the provision of important allowances

① Allowance for doubtful accounts

In order to provide for loan loss on notes and accounts receivable and loan receivable, the estimated uncollectible amount is recognized using the loan loss ratio for general loans and studying the retrievability of especially doubtful loans.

② Allowance for bonuses

Bonuses to employees are recognized on the basis of expected amounts.

③ Allowance for bonuses to directors and corporate auditors

Bonuses to directors and corporate auditors are recognized on the basis of expected amounts.

④ Accrued severance indemnities

In order to provide for employees' retirement benefits, the amount of accrued severance indemnities at the end of the interim period on the basis of the employees' retirement benefits and the fair value of plan assets at the end of the fiscal year is recognized.

Past service liabilities are recognized by the straight-line method on the basis of certain years (14 years) within the average remaining years of service.

As for actuarial differences, the amount divided proportionally on the basis of certain years (14 years) within the average remaining years of service is recognized from the next fiscal year.

⑤ Allowance for retirement benefits to directors and corporate auditors

In order to provide for the payment of retirement benefits to directors and corporate auditors, the interim period amount is recognized on the basis of the officer retirement benefits payment rule (internal rule).

(4) Conversion of important assets and liabilities in foreign currencies into yen

Debts and credits in foreign currencies are translated into yen at the spot exchange rate on the interim settlement date, and exchange differences are recognized as profit or loss. Assets and liabilities of subsidiaries in foreign countries are translated into yen at the spot exchange rate on their interim settlement dates, and their incomes and expenses are translated into yen at the average exchange rate for the period. Exchange differences are included in the foreign currency translation adjustment and minority interest in net assets.

(5) Important lease transactions

The Company and its subsidiaries in Japan account for finance lease transactions (except those by which the ownership of the leased properties is transferred to the lessee) in the same manner

as ordinary lease transactions.

(6) Other important matters for the preparation of the consolidated financial statements  
Consumption tax treatment --- The tax-exclusive method is adopted.

5. Matters related to the evaluation of assets and liabilities of consolidated subsidiaries  
Assets and liabilities of consolidated subsidiaries are marked to market.

6. Matters related to the amortization of goodwill  
Goodwill is amortized in equal installments in 10 years. If the amount is small, the whole amount is amortized in the fiscal year in which it is created.

7. Scope of funds in the consolidated interim cash flows statement  
Funds (cash and cash equivalents) in the consolidated interim cash flow statement consist of cash on hand, deposits that can be withdrawn at any time, and short-term (shorter than three months) investments that can be easily realized and have little value change risk.

[Notes]

(Notes to consolidated interim balance sheet)

	(Millions of Yen)		
	<u>Previous interim period</u>	<u>Current interim period</u>	<u>Previous fiscal year</u>
1. Accumulated depreciation of tangible fixed assets	85,489	92,333	88,944
2. Contingent liabilities			
Guarantee of obligation for bank loans			
Employees (housing loans)	9	1	5
Sunrise Chemical LLC	–	21	–
(Fuel gas price obligation)	(–)	(US\$189 thousand)	(–)
Guarantee of obligation for lease contracts	1,437	1,206	1,336
Sunrise Chemical LLC	(US\$12,189 thousand)	(US\$10,447 thousand)	(US\$11,318 thousand)

3. Accounting of notes due at the end of the current interim period

Notes due at the end of the current interim period and fixed date cash settlement (cash settlement on the due date of notes on the same conditions with notes) are settled on the clearing date. Since the end of the current interim period fell on a bank holiday, the following amounts due on that date are included in the balance.

Notes receivable	185	Notes payable	105
Accounts receivable	2,730	Accounts payable	3,667
Accrued liability	9	Notes payable for equipment	20

(Notes to consolidated interim profit and loss statement)

(Millions of Yen)

	<u>Previous interim period</u>	<u>Current interim period</u>	<u>Previous fiscal year</u>
1. Major items and amounts in selling, general and administrative expenses			
Transportation/safekeeping	2,472	2,602	5,172
Salary/compensation	1,444	1,449	2,898
Provision for bonuses to directors and corporate auditors	32	35	71
Bonus to employees	458	419	857
Retirement benefits	141	129	283
Welfare	435	437	856
Depreciation and amortization	249	260	540
Investment in R&D	2,308	2,377	4,540
2. Investment in R&D included in general and administrative expenses and production costs	2,308	2,377	4,540

(Notes to consolidated interim equity change statement)

Previous period (April 1, 2006 to September 30, 2006)

1. Matters related to types and number of outstanding stocks and to types and number of treasury stocks

	As of the previous term-end (shares)	Increase during the period (shares)	Decrease during the period (shares)	As of interim balance-sheet date (shares)
Issued shares				
Common shares	117,673,760	—	—	117,673,760
Total	117,673,760	—	—	117,673,760
Treasury stock				
Common shares (Notes)	7,282,451	12,556	13,834	7,281,173
Total	7,282,451	12,556	13,834	7,281,173

(Notes) 1. The number of shares increased by 12,556 shares through the purchase of odd stocks.

2. The number of shares decreased by 12,000 shares through the exercise of stock options and by 1,834 shares through purchase demand of odd stocks.

2. Matters related to dividends

(1) Dividend payments

Resolution	Type of shares	Total dividend payment	Dividend per share	Base date	Initial date for dividend payment
Regular general meeting of shareholders (held on June 23, 2006)	Common shares	¥827 million	¥7.50	March 31, 2006	June 23, 2006

(2) Dividends whose record date falls in the current interim period but whose effective date comes after the end of the period

Resolution	Type of shares	Total dividend payment	Fund for dividend payment	Dividend per share	Base date	Initial date for dividend payment
Board of Directors meeting (held on October 31, 2006)	Common shares	¥827 million	Retained earnings	¥7.50	September 30, 2006	December 1, 2006

Current period (April 1, 2007 to September 30, 2007)

1. Matters related to types and number of outstanding stocks and to types and number of treasury stocks

	As of the previous term-end (shares)	Increase during the period (shares)	Decrease during the period (shares)	As of interim balance-sheet date (shares)
Issued shares				
Common shares	117,673,760	—	—	117,673,760
Total	117,673,760	—	—	117,673,760
Treasury stock				
Common shares (Notes)	7,299,800	17,056	3,287	7,313,569
Total	7,299,800	17,056	3,287	7,313,569

(Notes) 1. The number of shares increased by 17,056 shares through the purchase of odd stocks.

2. The number of shares decreased by 3,287 shares through the purchase demand of odd stocks.

## 2. Matters related to dividends

### (1) Dividend payments

Resolution	Type of shares	Total dividend payment	Dividend per share	Base date	Initial date for dividend payment
Regular general meeting of shareholders (held on May 17, 2007)	Common shares	¥827 million	¥7.50	March 31, 2007	June 5, 2007

### (2) Dividends whose record date falls in the current interim period but whose effective date comes after the end of the period

Resolution	Type of shares	Total dividend payment	Fund for dividend payment	Dividend per share	Base date	Initial date for dividend payment
Board of Directors meeting (held on October 31, 2007)	Common shares	¥827 million	Retained earnings	¥7.50	September 30, 2007	December 3, 2007

### Previous fiscal year (April 1, 2006 to March 31, 2007)

#### 1. Matters related to types and number of outstanding stocks and to types and number of treasury stocks

	As of the previous term-end (shares)	Increase during the period (shares)	Decrease during the period (shares)	As of interim balance-sheet date (shares)
Issued shares				
Common shares	117,673,760	—	—	117,673,760
Total	117,673,760	—	—	117,673,760
Treasury stock				
Common shares (Notes)	7,282,451	33,425	16,076	7,299,800
Total	7,282,451	33,425	16,076	7,299,800

(Notes) 1. The number of shares increased by 33,425 shares through the purchase of odd stocks.

2. The number of shares decreased by 12,000 shares through the exercise of stock options and by 4,076 shares through purchase demand of odd stocks.

## 2. Matters related to dividends

### (1) Dividend payments

Resolution	Type of shares	Total dividend payment	Dividend per share	Base date	Initial date for dividend payment
Regular general meeting of shareholders (held on June 23, 2006)	Common shares	¥827 million	¥7.50	March 31, 2006	June 23, 2006
Regular general meeting of shareholders (held on October 31, 2006)	Common shares	¥827 million	¥7.50	September 30, 2006	December 1, 2006

### (2) Dividends whose record date falls in the current fiscal year but whose effective date comes after the end of the fiscal year

Resolution	Type of shares	Total dividend payment	Fund for dividend payment	Dividend per share	Base date	Initial date for dividend payment
Board of Directors meeting (held on May 17, 2007)	Common shares	¥827 million	Retained earnings	¥7.50	March 31, 2007	June 5, 2007

(Notes to consolidated interim cash flow statement)

1. Relation between interim period end (year end) balance of cash and cash equivalents and amounts on the consolidated interim balance sheet

	<u>Previous interim</u> <u>period</u>	<u>Current interim</u> <u>period</u>	<u>Previous fiscal</u> <u>year</u>
Interim period end (year end) balance of cash and cash equivalents	15,640	13,583	15,287
Term deposit over three months	—	—	—
Interim period end (year end) balance of cash and cash equivalents	15,640	13,583	15,287

(Notes to lease transactions)

Not disclosed because there is no great necessity of disclosure.

(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 of the previous fiscal year (From April 1, 2006 to September 30, 2006)

(Millions of Yen)

	Asia	(of which, China)	America	Other	Total
I. Overseas sales	9,459	(4,214)	3,814	4,530	17,803
II. Consolidated net sales	—	—	—	—	57,863
III. Overseas sales ratio to consolidated net sales	16.4%	(7.3%)	6.6%	7.8%	30.8%

For the current interim period (From April 1, 2007 to September 30, 2007)

(Millions of Yen)

	Asia	(of which, China)	America	Other	Total
I. Overseas sales	10,958	(5,249)	4,526	4,695	20,180
II. Consolidated net sales	—	—	—	—	63,110
III. Overseas sales ratio to consolidated net sales	17.4%	(8.3%)	7.2%	7.4%	32.0%

For the previous fiscal year (From April 1, 2006 to March 31, 2007)

(Millions of Yen)

	Asia	(of which, China)	America	Other	Total
I. Overseas sales	19,842	(8,835)	8,618	9,303	37,764
II. Consolidated net sales	—	—	—	—	122,397
III. Overseas sales ratio to consolidated net sales	16.2%	(7.2%)	7.1%	7.6%	30.9%

Notes:

- The term "overseas sales" refers to sales of the parent company and its consolidated subsidiaries registered in countries and regions outside of Japan. Previously, overseas sales on a non-consolidated basis represented sales posted by divisions engaged in overseas businesses only. From the reporting six-month period, however, the Company has adopted the new standard for overseas sales, under which sales to end-users located overseas are recognized as overseas sales. For comparison, restatement is made for the previous term using the new standard (see the table below for the original statement).
- 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: USA, Mexico, Brazil, and others
  - Other: Australia, Europe, Middle East, and others

(Notes to securities)

(End of previous interim period) (As of September 30, 2006)

- Held-to-maturity debt securities with market value  
None

- Other securities with market value

	Acquisition cost	Amount on interim balance sheet	(Millions of Yen) Difference
(1) Stocks	8,759	20,269	11,509
(2) Bonds	—	—	—
(3) Others	—	—	—
<u>Total</u>	<u>8,759</u>	<u>20,269</u>	<u>11,509</u>

- Other securities sold in the interim period (April 1, 2006 to September 30, 2006) (Millions of Yen)

<u>Sales price</u>	<u>Total gains on sales</u>	<u>Total loss on sales</u>
67	29	—

- Major securities not marked to market (except 1 above) and their amounts on the interim balance sheet

- Held-to-maturity debt securities  
None

- Other securities

Non-listed shares      5,836 million yen

(End of current interim period) (As of September 30, 2007)

			(Millions of Yen)
1. Held-to-maturity debt securities with market value			
	Amount on interim balance sheet	Market value	Difference
(1) National bonds, local bonds, etc.	100	100	0
(2) Corporate bonds	—	—	—
(3) Others	—	—	—
Total	100	100	0

2. Other securities with market value (Millions of Yen)

	Acquisition cost	Amount on interim balance sheet	Difference
(1) Stocks	11,123	22,851	11,728
(2) Bonds	—	—	—
(3) Others	—	—	—
Total	11,123	22,851	11,728

3. Major securities not marked to market (except 1 above) and their amounts on the interim balance sheet

(1) Held-to-maturity debt securities  
None

(2) Other securities  
Non-listed shares 6,924 million yen

(Note) There was an impairment of 10 million yen for other securities not marked to market in the current interim period.

(Previous fiscal year) (As of March 31, 2007)

			(Millions of Yen)
1. Held-to-maturity debt securities with market value			
	Amount on balance sheet	Market value	Difference
(1) National bonds, local bonds, etc.	100	100	0
(2) Corporate bonds	—	—	—
(3) Others	—	—	—
Total	100	100	0

2. Other securities with market value (Millions of Yen)

	Acquisition cost	Amount on balance sheet	Difference
(1) Stocks	9,399	20,486	11,086
(2) Bonds	—	—	—
(3) Others	—	—	—
Total	9,399	20,486	11,086

3. Other securities sold in the current fiscal year (April 1, 2006 to March 31, 2007)

(Millions of Yen)

Sales price	Total gain on sales	Total loss on sales
67	29	—

4. Major securities not marked to market (except 1 above) and their amounts on the balance sheet

(1) Held-to-maturity debt securities  
None

(2) Other securities  
Non-listed shares 6,689 million yen

(Notes to derivative transactions)

None

(Notes to stock options)

Not disclosed because there is no great necessity of disclosure.

(Per share data)

Previous interim period (April 1, 2006 to September 30, 2006)		Current interim period (April 1, 2007 to September 30, 2007)		Previous fiscal year (April 1, 2006 to March 31, 2007)	
Net assets per share	¥794.61	Net assets per share	¥812.32	Net assets per share	¥801.52
Net interim income per share	¥15.43	Net interim income per share	¥6.97	Net income per share	¥27.65
Fully diluted net interim income per share	¥14.28	Fully diluted net interim income per share	¥6.45	Fully diluted net income per share	¥25.59

(Note) Net (interim) income per share and fully diluted net (interim) income per share are calculated on the basis of the following.

(Millions of Yen)

	Previous interim period (April 1, 2006 to September 30, 2006)	Current interim period (April 1, 2007 to September 30, 2007)	Previous fiscal year (April 1, 2006 to March 31, 2007)
Net (interim) income per share			
Net (interim) income	1,703	769	3,051
Amount not attributable to shareholders	—	—	—
Net (interim) income for common stock	1,703	769	3,051
Average number of shares	110,395 thousand shares	110,366 thousand shares	110,383 thousand shares
Fully diluted net (interim) income per share			
Net (interim) income adjustment	—	—	—
Additional shares	8,893 thousand shares	8,873 thousand shares	8,873 thousand shares
(Bond with convertible bond type warrant)	(8,873 thousand shares)	(8,873 thousand shares)	(8,873 thousand shares)
(Share warrant)	(20 thousand shares)	(—)	(—)
Outline of potential shares not included in fully diluted net (interim) income per shares because of non-existence of dilution effect	—	—	Stock option decided on at the regular shareholders meeting on June 21, 2002 (Share warrants) Number of share warrants: 559

(Significant post-balance sheet events)

At the Board of Directors meeting held on September 25, 2007, a reorganization of our consolidated subsidiaries in the United States under an umbrella company was decided for more effective management. As a first step, investments in kind (loans) by the Company and SANAM Corporation to Sanyo Chemical and Resins Incorporated were decided at the Board of Directors meeting on October 25, 2007.

1. Outline of Reorganization

Our three consolidated subsidiaries in the United States (SANAM Corporation, Sanyo Chemical Texas Inc. and Sanyo Chemical and Resins Corp.) will be reorganized with SANAM Corporation as the umbrella company to control the others.

Sales and back office functions will be centralized in the umbrella company. Sanyo Chemical Texas Inc. and Sanyo Chemical and Resins Corp. will focus on production. This will improve the efficiency of our US business.

In the future, the Company's investment in Sanyo Chemical and Resins Inc. will be turned into investment in kind in SANAM Corporation, and the reorganization will be completed by the end of December 2007.

2. Investment in kind (loans)

(1) Investment in kind (loans) by the Company ¥644 million

(2) Investment in kind (loans) by SANAM Corporation ¥438 million (US\$3,800 thousand)

(3) Additional investment in kind (loans) by SANAM Corporation ¥122 million (US\$1,060 thousand)

The investments in kind have no impact on the consolidated and non-consolidated results.

(Conditions of Production, Orders and Sales)

(1) Production

	Six months ended September 30,		Reference : FY 2006
	2006	2007	
	Millions of Yen	Millions of Yen	Millions of Yen
Surfactants	10,323	11,011	21,579
Polyurethane chemicals	14,166	15,804	30,925
Lipophilic high-molecular agents	12,505	13,575	27,271
Hydrophilic high-molecular agents	13,164	13,586	26,409
Specialty products	6,314	6,860	13,128
<b>Total</b>	<b>56,473</b>	<b>60,839</b>	<b>119,313</b>

- (Notes) 1. The amount of production is calculated on the basis of average sales prices.  
 2. The above amounts do not include consumption taxes.  
 3. Production track records do not include those for consigned production (purchase price basis).

(2) Orders

There are no items to be mentioned since market production is conducted.

(3) Sales

	Six months ended September 30,				Reference : FY 2006	
	2006		2007		Millions of Yen	Composition
	Millions of Yen	Composition	Millions of Yen	Composition		
Surfactants	11,030	19.1%	11,407	18.1%	22,480	18.4%
Polyurethane chemicals	14,414	24.9%	16,261	25.8%	30,669	25.1%
Lipophilic high-molecular agents	12,906	22.3%	13,459	21.3%	27,714	22.6%
Hydrophilic high-molecular agents	11,889	20.5%	13,710	21.7%	25,596	20.9%
Specialty products	6,764	11.7%	7,354	11.7%	14,137	11.5%
<b>Total of chemical products</b>	<b>57,006</b>	<b>98.5%</b>	<b>62,193</b>	<b>98.6%</b>	<b>120,598</b>	<b>98.5%</b>
Non-chemical products, and other	856	1.5%	917	1.4%	1,798	1.5%
<b>Total</b>	<b>57,863</b>	<b>100.0%</b>	<b>63,110</b>	<b>100.0%</b>	<b>122,397</b>	<b>100.0%</b>