

A Statement of Accounts
Fiscal Year 2005 1st Half
(April 1, 2005 through September 30, 2005)



This material contains forward-looking statements that are based on Sanyo Chemical's plans at October 31, 2005. Actual results may vary significantly depending on the economic environment where Sanyo Chemical conducts its business, competitive conditions, fluctuations in the exchange rate, material prices, and others.

Corporate Data

Date of Establishment : November 1, 1949

Head Office : Higashiyama-ku, Kyoto

Branch Office : Tokyo, Osaka

**Domestic Factories : Nagoya, Kashima,
Kyoto, Kawasaki**

**Number of Consolidated Employees :
Approx. 1,500**

**Line of Business : Manufacture & sales
approx. 3,000 kinds of
performance chemicals**

Principal Products

Classifications	Products
Surfactants	Surfactant for Textile, Industrial Surfactants
Polyurethane Chemicals	Raw Materials for Polyurethane Foam, Polyurethane Resins, Thermoplastic Polyurethane Beads
Lipophilic High-molecular Agents	Toner Resins, Polyester Beads, Lubricating Oil Additives, Coating & Adhesives
Hydrophilic High-molecular Agents	Superabsorbent Polymers, Polymer Flocculants
Specialty Products	Resin and Polymer Modifiers, Antistatic Agents, Electrolyte for Capacitors
Others	Diagnostic Reagents, Synthetic Woods

Subsidiaries

Subsidiaries	Abbr.	Equity Ownership	Line of Business
San-Dia Polymers, Ltd.	SDP	60%	Manufacture & Sales of Superabsorbent Polymers
San Nopco, Ltd.	SNL	100%	Manufacture & Sales of Specialty Chemicals
San Chemical Co., Ltd.	SCC	50%	Manufacture & Sales of Polyether Polyols & Polyethylene Glycols
San-Apro Ltd.	SA	50%	Manufacture & Sales of Curing Accelerators for Epoxy Resin, Catalysts for Polyurethane Foam
Sanyo Kasei (Thailand) Ltd.	SKT	89%	Manufacture & Sales of Surfactants, Polyurethane Resins
SANAM Corporation	SANAM	100%	Import & Sales of Sanyo Chemical's Products in U.S.
Sanyo Chemical & Resins Inc.	SCR	100%	Manufacture & Sales of Toner Resins, Polyurethane Resins
Sanyo Kasei (Nantong) Co., Ltd.	SKN	100%	Manufacture & Sales of Surfactants
San-Dia Polymers (Nantong) Co., Ltd.	SDN	60%	Manufacture & Sales of Superabsorbent Polymers

: Include the voting rights of Subsidiaries

Affiliates

Affiliates	Abbr.	Equity Ownership	Line of Business
San-Petrochemicals Co., Ltd.	SPCC	50%	Manufacture & Sales of Raw Materials for Synthetic Rubber
Sunrise Chemical LLC.	SRC	50%	Manufacture & Sales of Raw Materials for Synthetic Rubber
Sanyo Transport Co., Ltd.	-	100%	General Trucking
Nagoya Sanyo Warehouse Co., Ltd.	-	100%	Warehousing
Shiohama Chemical Warehouse Co., Ltd.	-	50%	Warehousing
Sanliving Ltd.	SL	100%	A Real Estate, Insurance, and Travel Agency

: Include the voting rights of Subsidiaries

Result of Operations(Consolidated)

(Billions of yen)

For the Fiscal Year 1st Half (April 1, FY through September 30, FY)	Fiscal Year Ended Sept. 30, 2004 : FY 2004 1st Half	Fiscal Year Ended Sept. 30, 2005 : FY 2005 1st Half	From the Previous Fiscal Year 1st Half	
			Increase (Decrease)	The Ratio of Increase (Decrease)
Net Sales	44.70	51.43	6.73	15.1%
Operating Income	2.88	3.14	0.26	9.0%
Operating Income / Net Sales	6.4%	6.1%		
Ordinary Income	3.23	3.44	0.21	6.5%
Ordinary Income / Net Sales	7.2%	6.7%		
Net Income	1.87	1.34	(0.53)	(28.1)%
Net Income / Net Sales	4.2%	2.6%		
Net Income Per Share(Yen)	¥16.9	¥12.2	¥(4.7)	(27.8)%

: Impairment Loss has appropriated ¥0.92 Billion

¥0.29 Billion have been appropriated for equity in losses of affiliated company

¥0.63 Billion have been appropriated for extraordinary expenses

Results of Operations(Non-Consolidated)

(Billions of yen)

For the Fiscal Year 1st Half (April 1, FY through September 30, FY)	Fiscal Year Ended Sept. 30, 2004 : FY 2004 1st Half	Fiscal Year Ended Sept. 30, 2005 : FY 2005 1st Half	From the Previous Fiscal Year 1st Half	
			Increase (Decrease)	The Ratio of Increase (Decrease)
Net Sales	34.69	39.74	5.05	14.6%
Operating Income	2.35	1.91	(0.44)	(18.7)%
Operating Income / Net Sales	6.8%	4.8%		
Ordinary Income	3.10	2.94	(0.16)	(5.2)%
Ordinary Income / Net Sales	8.9%	7.4%		
Net Income	2.07	0.98	(1.09)	(52.7)%
Net Income / Net Sales	6.0%	2.5%		
Net Income Per Share(Yen)	¥18.8	¥8.9	¥(0.99)	(52.7)%
Cash Dividends Per Share(Yen)	¥7.5	¥7.5	-	-

:As extraordinary expenses, loss on valuation of investment securities of a subsidiary has appropriated ¥1.1 Billion

Analysis of Increased or Decreased Profits from the Previous Fiscal Year 1st Half

(Billions of yen)

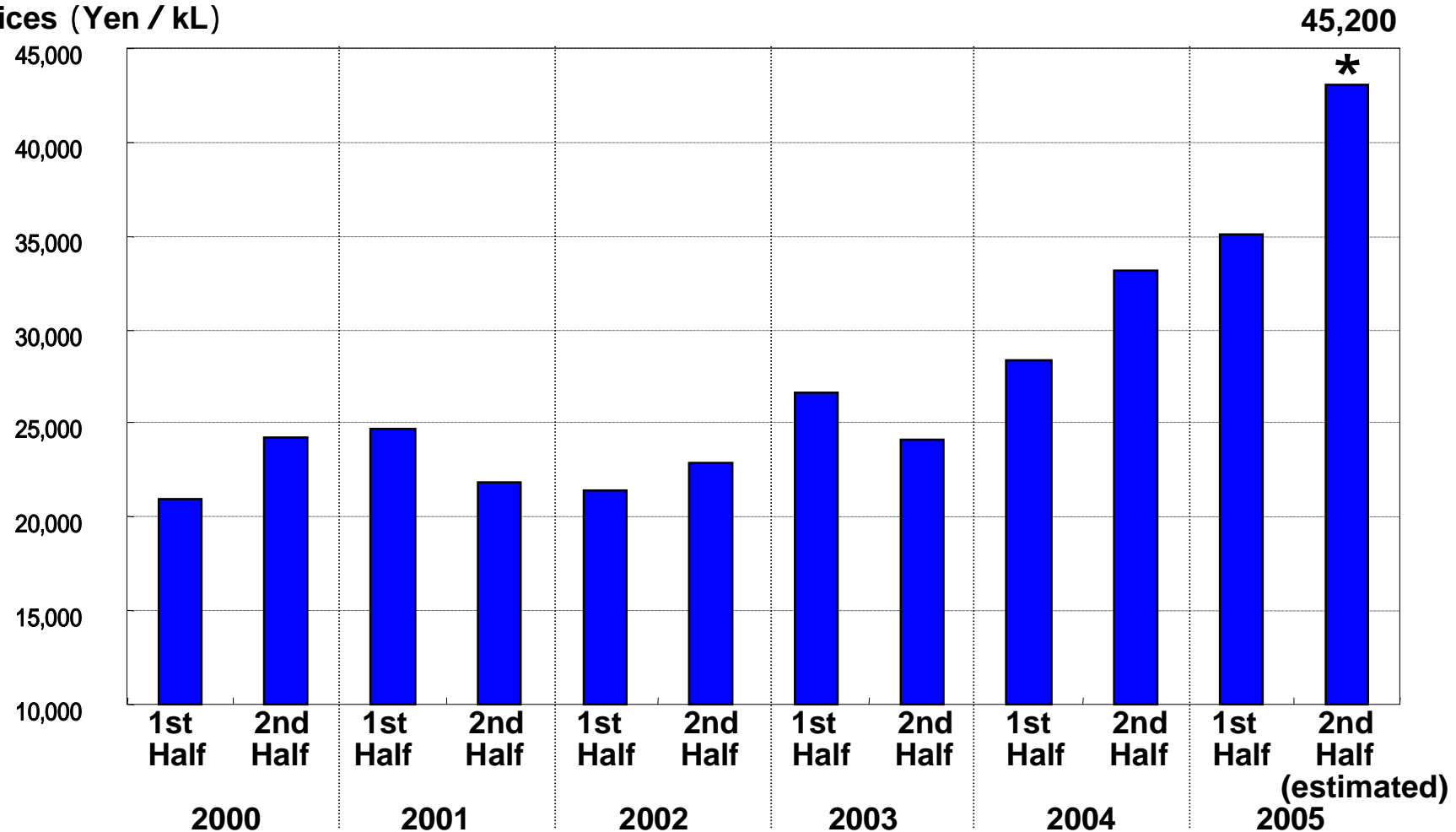
		Consolidated	Non-Consolidated
Increase in Volumes		1 . 1 1	0 . 9 1
Itemized	Raised Raw Material Prices	(3 . 4 1)	(2 . 7 8)
Buying & Selling	Raised Product Prices	3 . 2 0	1 . 7 4
Increase Fixed Costs & Others		(0 . 6 4)	(0 . 3 1)
Total		0 . 2 6	(0 . 4 4)

: Parenthesis indicates a loss

Trends in Domestic Naphtha Prices

Estimated for October 2005 through December 2005

Domestic Naphtha
Prices (Yen / kL)



Loss on Assets Impairment in Detail

- 1. Extraordinary Expenses related San-Dia Polymers, Ltd.**
 - (1) Building and Structures at the Ogaki Plant: ¥566 million**

This Plant was generating losses of operating activities since 2001.
 - (2) Machinery at the Nagoya Plant : ¥60 million**

This equipment sitting idle was not use.
- 2. Equity in losses of Sanyo Transport Co., Ltd.**
 - (1) Land at Kashima area: ¥294 million**

Market price of this land sagged more than 50% to the book value.

Results of Subsidiaries for FY 2005 1st Half

(Internal sales among Sanyo Chemical groups does not count)

(Billions of yen)

For the Fiscal Year 1st Half	April 1, 2005 through September 30, 2005				January 1, 2005 through June 30, 2005					Total
	SDP	SNL	SCC	SA	SKT	SANAM	SCR	SKN	SDN	
Subsidiaries										
Net Sales	7.92	3.59	6.42	0.65	0.37	1.09	0.81	0.09	0.61	21.55
Increase(Decrease)	1.41	0.18	1.32	(0.02)	0.05	0.03	0.08	0.09	0.61	3.75
Ordinary Income	0.93	0.44	0.28	0.14	(0.05)	0.08	(0.16)	(0.19)	(0.15)	1.32
Increase(Decrease)	1.01	0.02	0.10	(0.00)	0.02	0.05	(0.07)	(0.11)	(0.15)	0.87

: Increase(Decrease) from the previous fiscal year 1st Half

Consolidated Statements of Cash Flows

(Billions of yen)

	FY 2005 1st Half	FY 2004 1st Half	FY 2004
Net Cash Provided by Operating Activities	2.96	5.47	10.45
Income Before Income Taxes and Minority Interests	2.75	3.18	5.96
Depreciation and Amortization	3.17	3.04	6.48
Others	(2.96)	(0.75)	(1.99)
Net Cash Used in Investing Activities	(4.36)	(3.76)	(10.77)
Payments for Purchase of Fixed Assets	(4.32)	(3.66)	(9.30)
Payments for Purchase of Investments in Securities	-	(0.08)	(1.61)
Others	(0.04)	(0.02)	0.14
<i>Free Cash Flow</i>	(1.40)	1.71	(0.32)
Net Cash Used in Financing Activities	(0.97)	(1.17)	(1.68)
Cash and Cash Equivalents at end of the Period	11.52	16.25	13.79

Forecast of Results for FY 2005

(Billions of yen)

Consolidated	Fiscal Year Ended March 31, 2005 : FY 2004	Fiscal Year Ending March 31, 2006 : FY 2005	From the Previous Fiscal Year	
			Increase (Decrease)	The Ratio of Increase (Decrease)
Net Sales	93.5	108.0	14.5	15.5%
Operating Income	6.0	7.2	1.2	20.0%
Ordinary Income	6.4	8.0	1.6	25.0%
Net Income	3.6	4.0	0.4	11.1%
Net Income Per Share(Yen)	¥32.0	¥35.7	¥3.7	11.6%

: ¥0.29 Billion have been appropriated for equity in losses of affiliated company.

: ¥0.63 Billion have been appropriated for extraordinary expenses.

Non-Consolidated	FY 2004	FY 2005	From the Previous Fiscal Year	
			Increase (Decrease)	The Ratio of Increase (Decrease)
Net Sales	72.8	82.0	9.2	12.6%
Operating Income	4.7	4.4	(0.3)	(6.4)%
Ordinary Income	5.9	6.0	0.1	1.7%
Net Income	3.9	3.1	(0.8)	(20.5)%
Net Income Per Share(Yen)	¥34.6	¥27.6	¥(0.7)	(20.2)%

: As Extraordinary Loss, loss on valuation of investment securities of a subsidiary has appropriated ¥1.1 Billion.

Forecast of Subsidiaries Results for FY 2005

(Internal sales among Sanyo Chemical groups does not count)

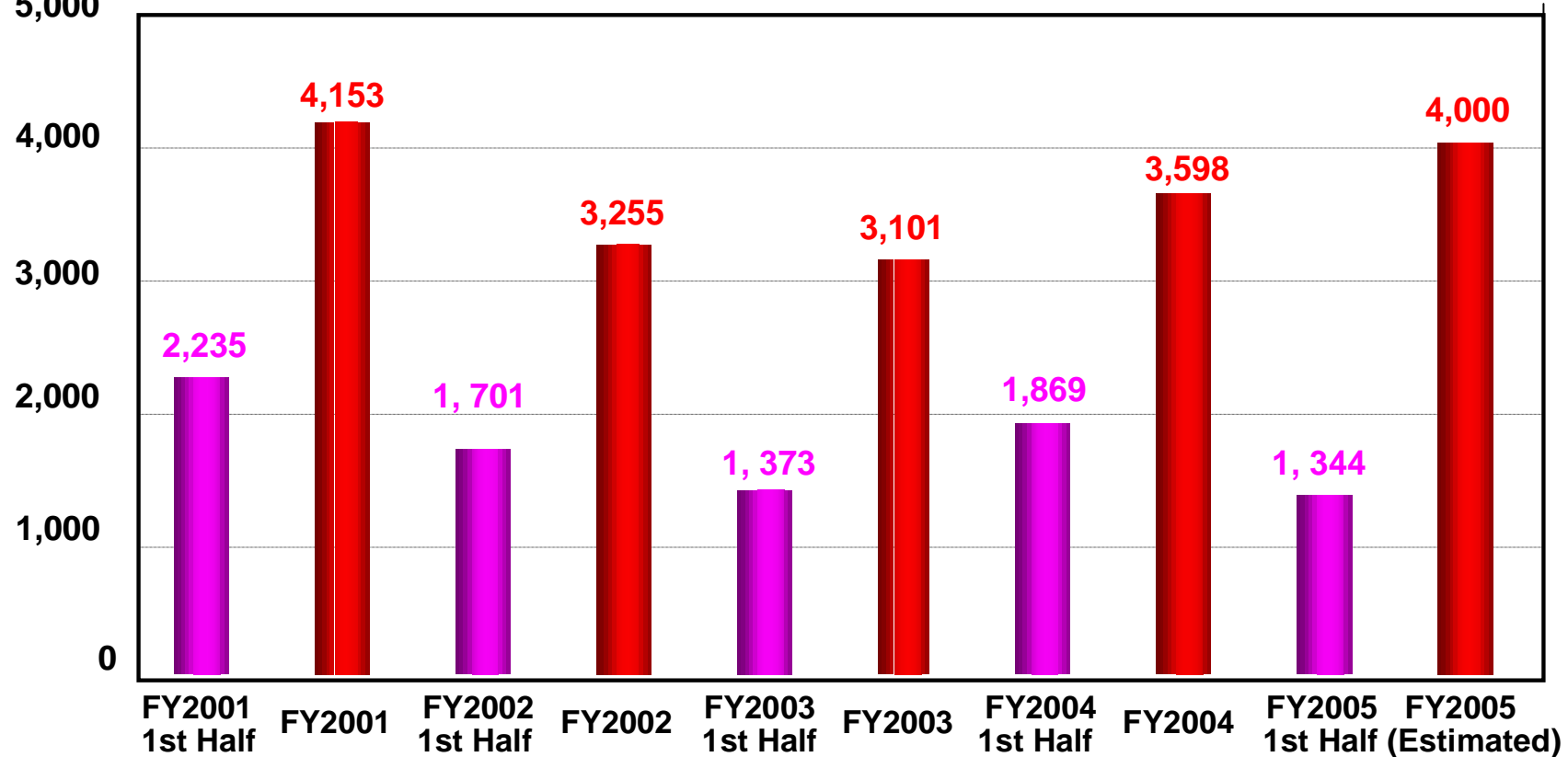
(Billions of yen)

For the Fiscal Year	April 1, 2005 through March 31, 2006				January 1, 2005 through December 31, 2005					Total
	SDP	SNL	SCC	SA	SKT	SANAM	SCR	SKN	SDN	
Subsidiaries										
Net Sales	16.6	7.5	11.7	1.4	0.9	2.2	1.8	0.5	2.2	44.8
Increase(Decrease)	2.8	0.8	1.1	0.1	0.2	0.2	0.3	0.5	2.2	8.2
Ordinary Income	1.5	0.9	0.4	0.3	(0.1)	0.1	(0.1)	(0.3)	(0.1)	2.7
Increase(Decrease)	1.4	0.1	0.0	0.0	0.0	0.0	0.1	0.0	(0.1)	1.5

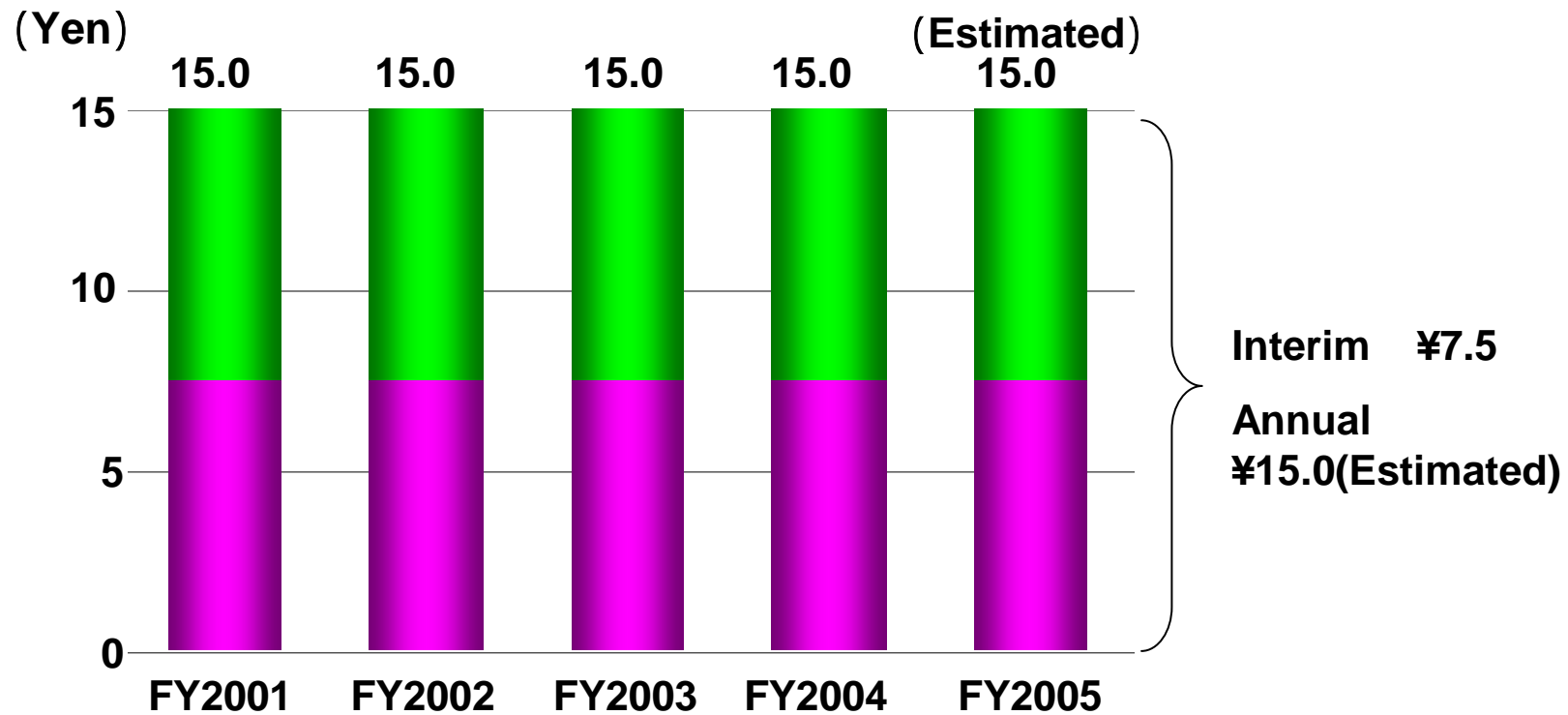
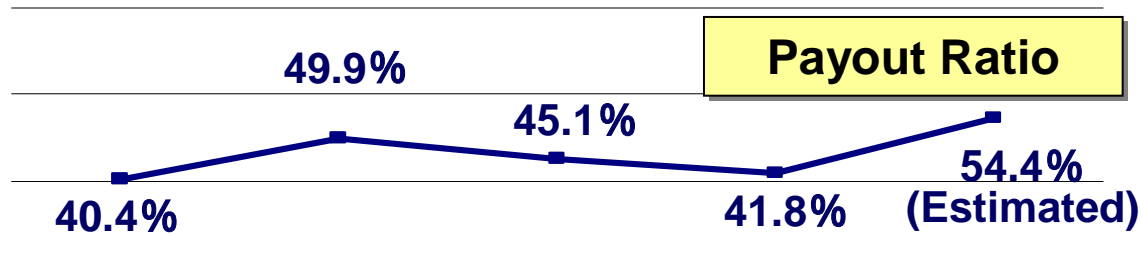
: Increase(Decrease) from the previous fiscal year

Trends in Consolidated Net Income

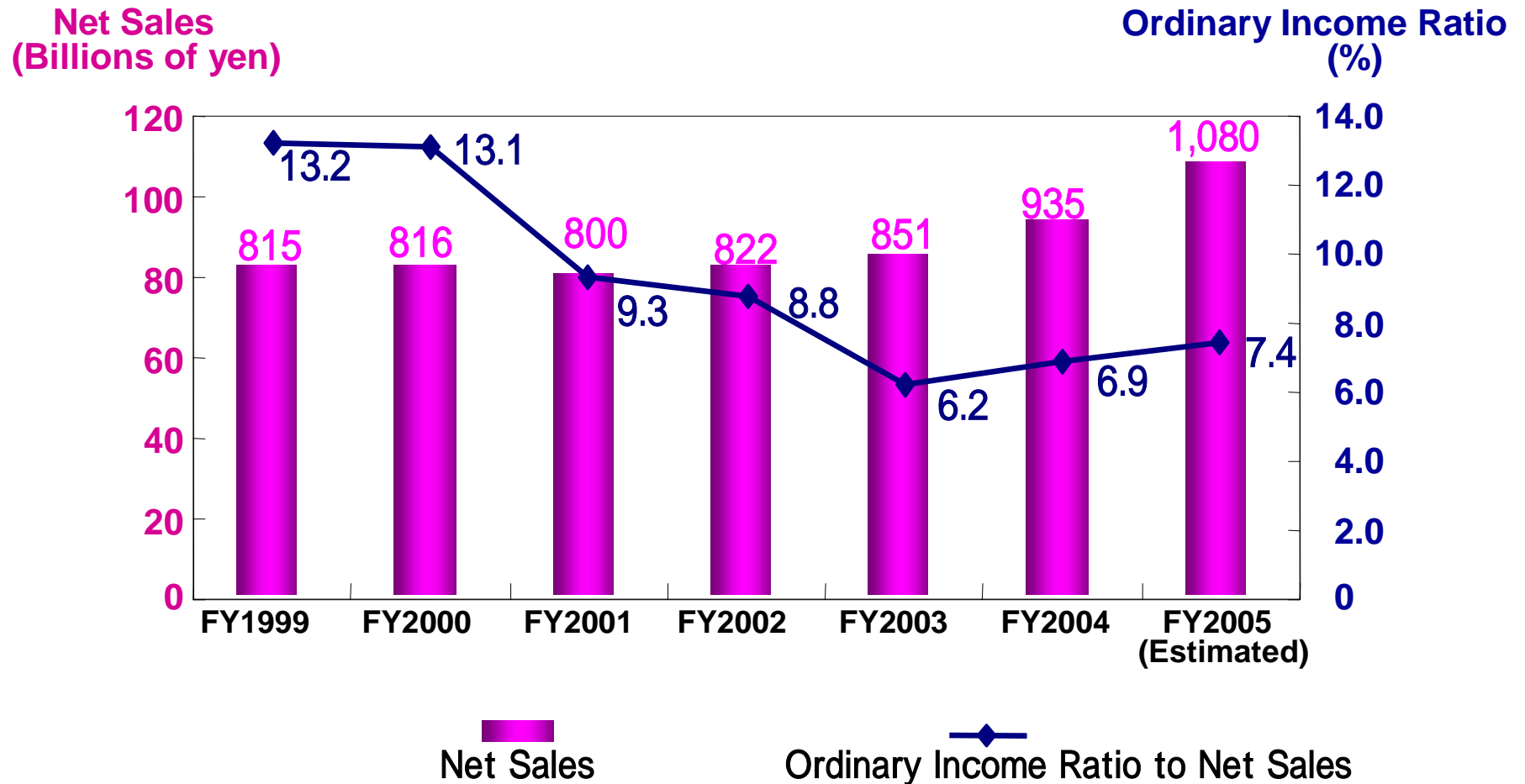
Net Income
 (Millions of yen)
 5,000



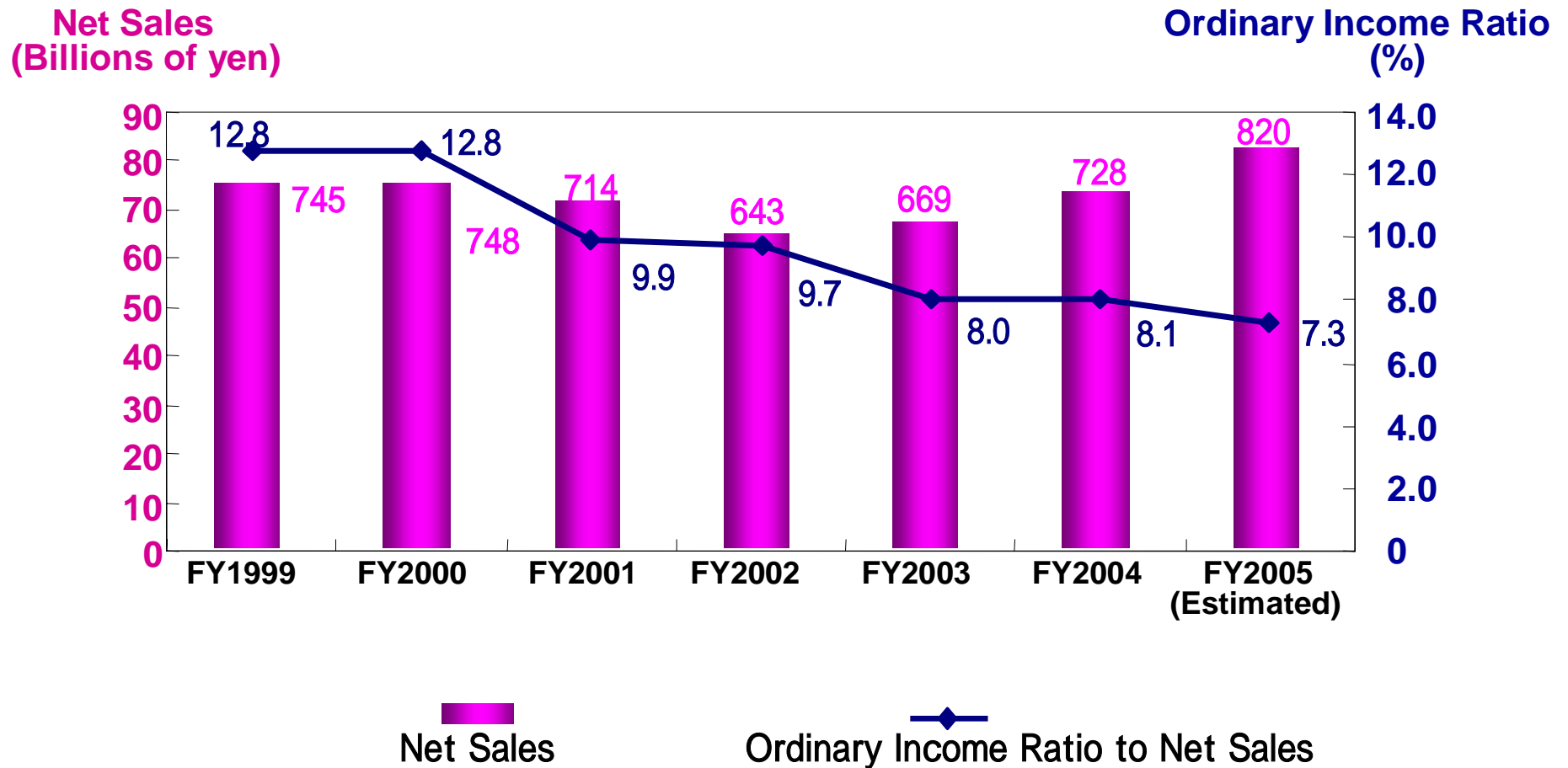
Dividends Per Share



Trends in Consolidated Results



Trends in Non-Consolidated Results



Net Sales by Product Groups (Consolidated)

(Billions of yen)

Classifications	FY 2004 1st Half	FY 2005 1st Half	From the Previous FY 1st Half	FY 2005 (Estimated)	From the Previous FY
Surfactants	10.89	10.80	(0.8)%	21.94	2.3%
Polyurethane Chemicals	9.56	11.91	24.6%	25.16	23.0%
Lipophilic High-molecular Agents	10.03	11.62	15.9%	24.89	17.3%
Hydrophilic High-molecular Agents	8.22	10.20	24.1%	22.12	28.3%
Specialty Products	5.11	6.03	18.1%	12.04	7.7%
Others	0.90	0.87	(3.3)%	1.84	(3.6)%
Total	44.71	51.43	15.1%	107.99	15.6%
Overseas Sales among Total	10.00	11.29	12.9%	25.38	26.6%

Net Sales by Product Groups (Non-Consolidated)

(Billions of yen)

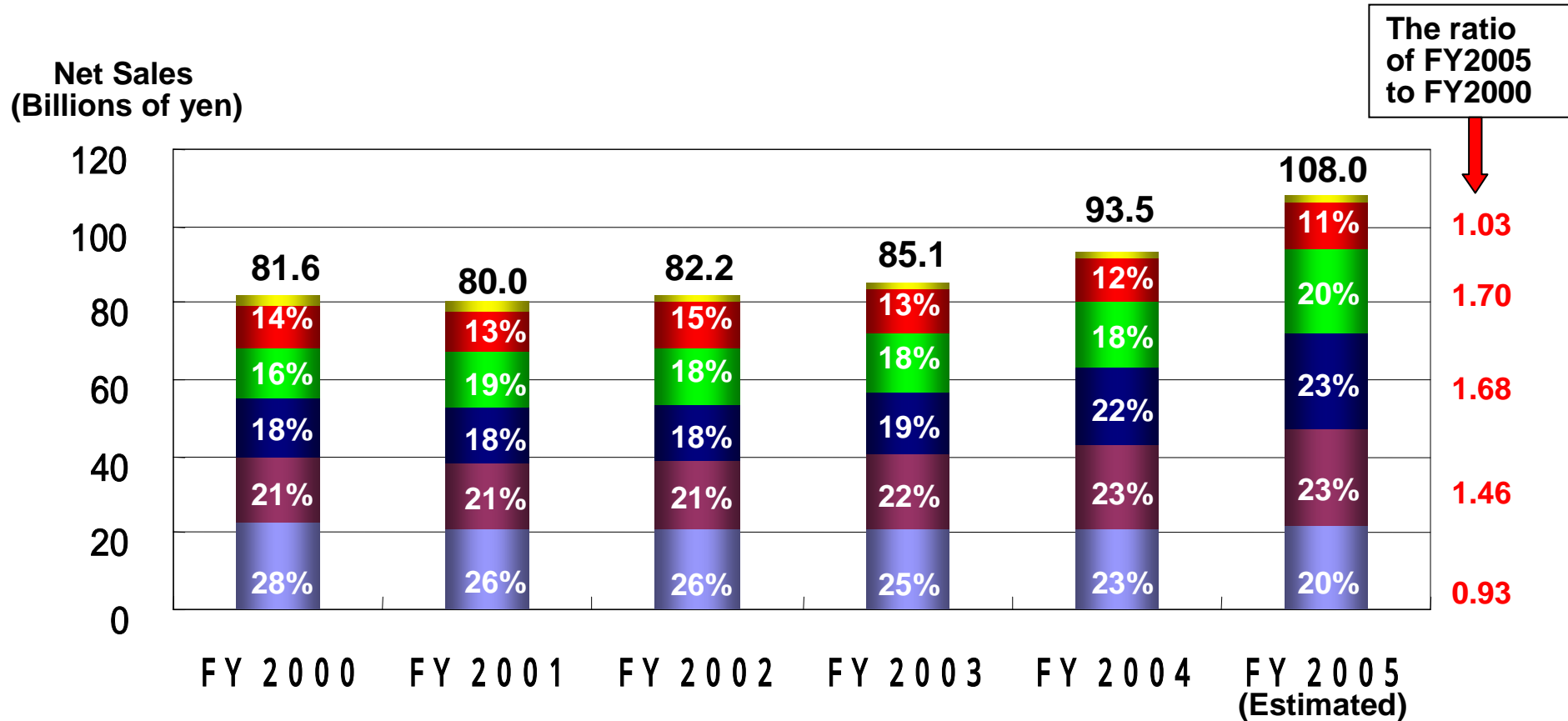
Classifications	FY 2004 1st Half	FY 2005 1st Half	From the Previous FY 1st Half	FY 2005 (Estimated)	From the Previous FY
Surfactants	8 . 0 1	7 . 8 7	(1.7)%	1 5 . 4 0	(2.3)%
Polyurethane Chemicals	9 . 2 8	1 1 . 9 5	28.8%	2 5 . 3 0	26.4%
Lipophilic High-molecular Agents	9 . 6 3	1 1 . 2 2	16.5%	2 3 . 9 0	16.9%
Hydrophilic High-molecular Agents	2 . 1 7	2 . 2 3	2.9%	4 . 5 0	3.1%
Specialty Products	4 . 6 2	5 . 4 7	18.4%	1 0 . 8 0	6.2%
Others	0 . 9 8	0 . 9 9	1.0%	2 . 1 0	1.6%
Total	3 4 . 6 9	3 9 . 7 4	14.6%	8 2 . 0 0	12.6%
Export Sales among Total	5 . 4 6	5 . 8 7	7.5%	1 2 . 5 0	17.6%

Consolidated Net Sales by Subdivided Product Groups

(Billions of yen)

Class	Class	FY 2004 1st Half	FY 2005 1st Half	From the Previous FY 1st Half	FY 2005 (Estimated)	From the Previous FY
Surfactants	Surfactant for Textile	2.31	2.10	(0.93)	4.12	(0.72)
	Industrial Surfactants	8.57	8.71	0.15	17.83	0.48
Polyurethane Chemicals	Raw Materials for Polyurethane Foam	6.46	8.53	3.22	18.00	2.95
	Polyurethane Resins	3.10	3.38	0.87	7.16	0.93
Lipophilic High-molecular Agents	Lubricating Oil & Machine- related Products	3.70	4.08	1.01	8.46	1.02
	Coating & Adhesive- related Products	1.65	1.82	1.00	3.62	0.66
	Office Machine-related Products	4.67	5.73	2.27	12.81	2.63
Hydrophilic High- molecular Agents	Water Treatment Products	1.48	1.46	(0.11)	2.90	(0.19)
	Superabsorbent Polymers	6.74	8.73	2.96	19.23	3.46
Specialty Products	Resin & Polymer Modifiers	2.16	2.39	1.10	4.78	0.14
	Electric/Electronic-related Products	1.68	1.90	1.35	3.72	0.87
	Others	1.28	1.74	3.60	3.53	1.65
Others		0.90	0.87	(0.33)	1.84	(0.36)
Total		44.70	51.43	1.51	108.00	1.56
	Overseas Sales among Total	10.00	11.29	1.29	25.38	2.66

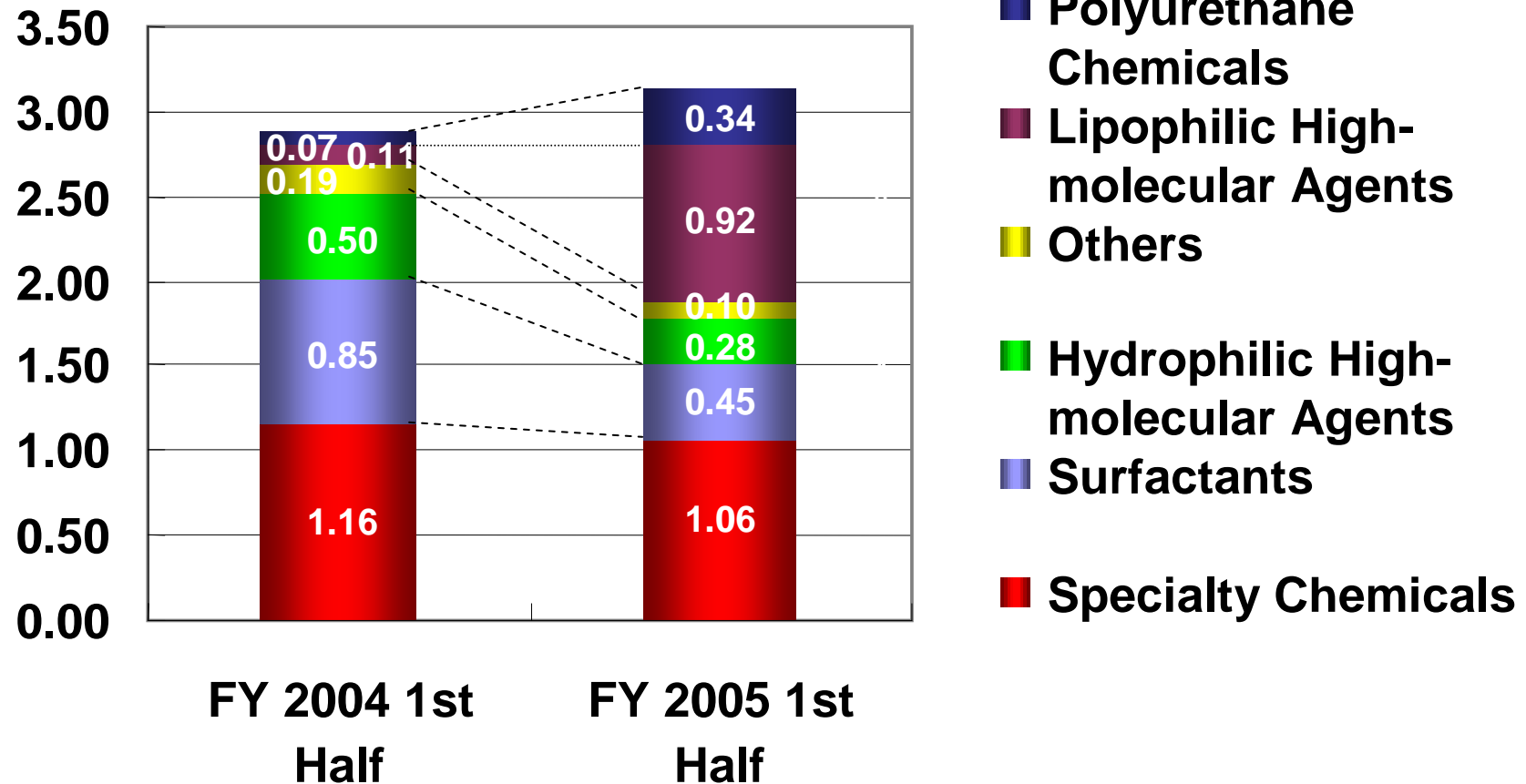
Trends in Consolidated Net Sales by Product Groups



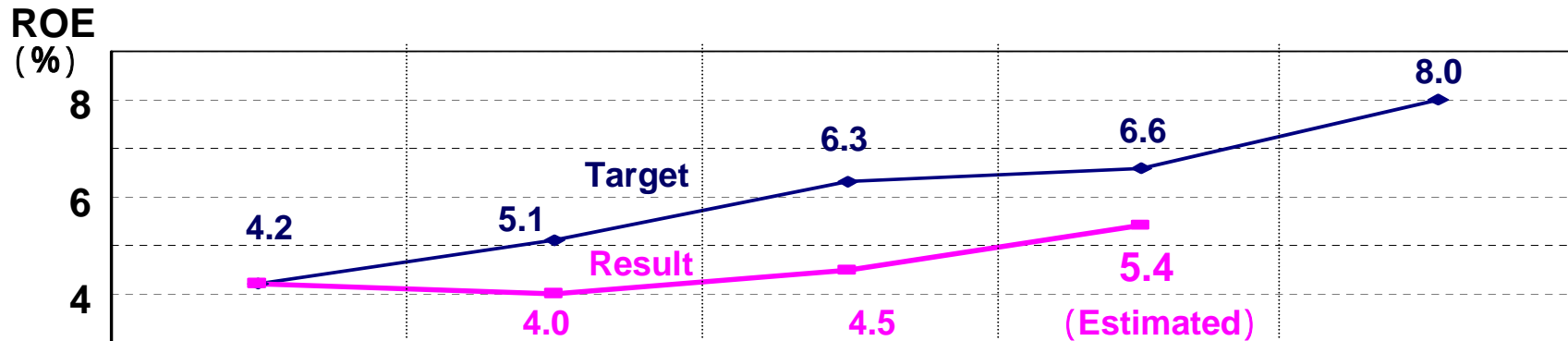
- Surfactants
- Polyurethane Chemicals
- Specialty Chemicals
- Lipophilic High-molecular Agents
- Hydrophilic High-molecular Agents
- Others

Operating Income by Product Groups (Consolidated)

(Billions of yen)

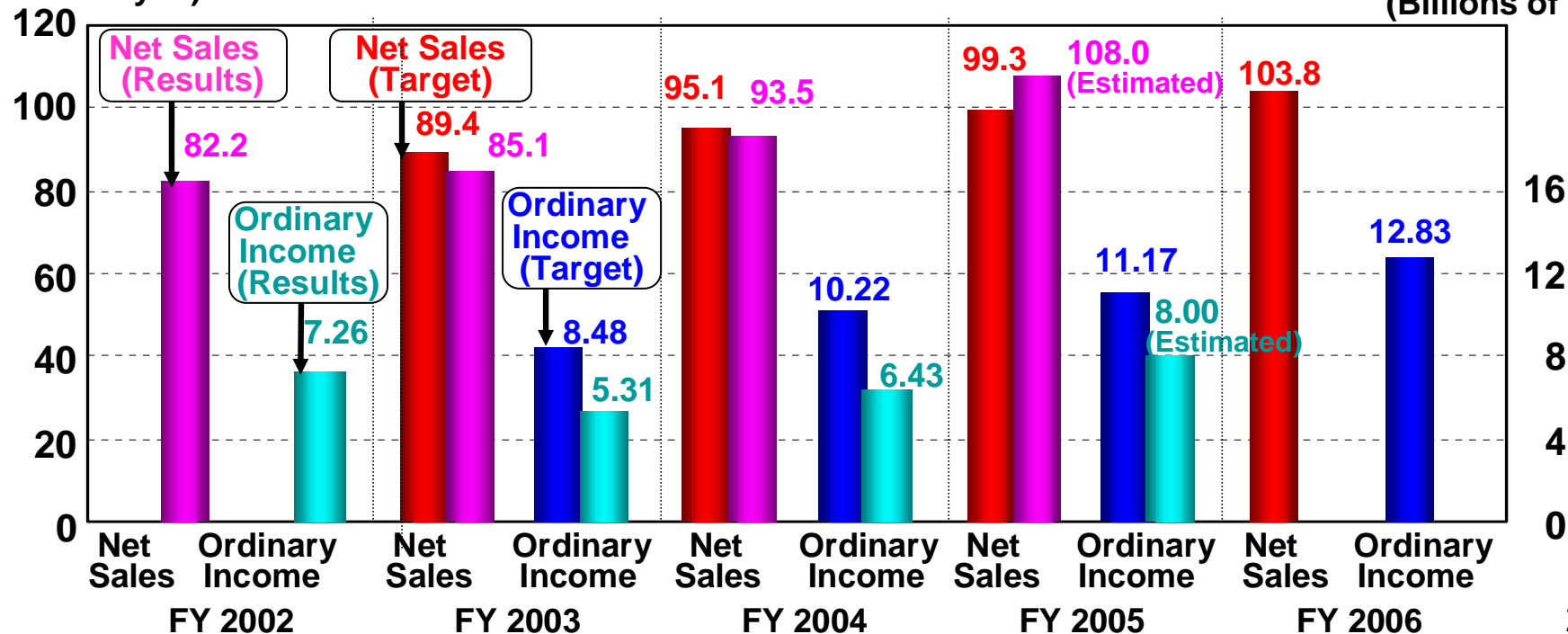


Progress of Sixth Medium-term Management Strategy



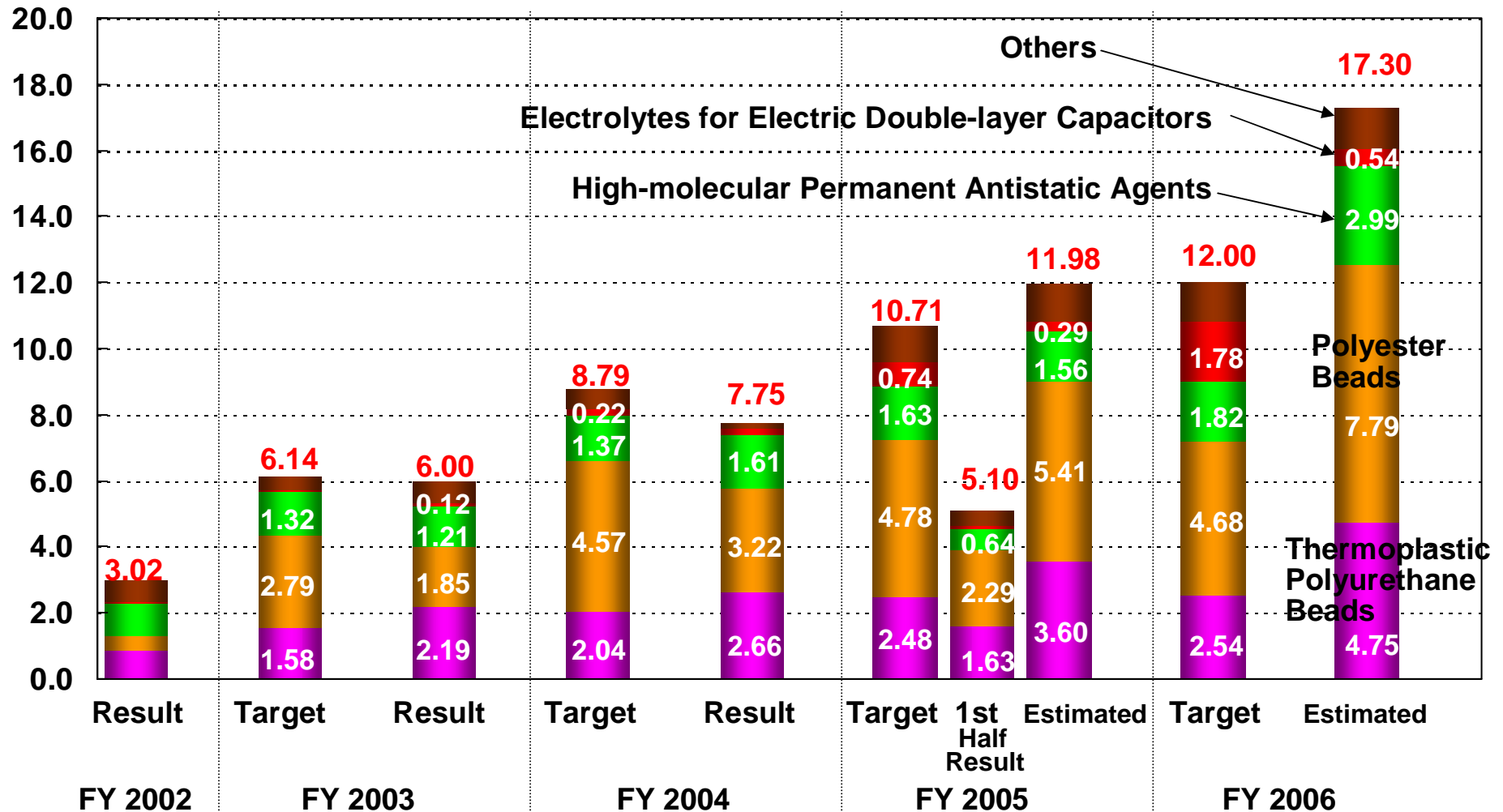
Net Sales
(Billions of yen)

Ordinary Income
(Billions of yen)

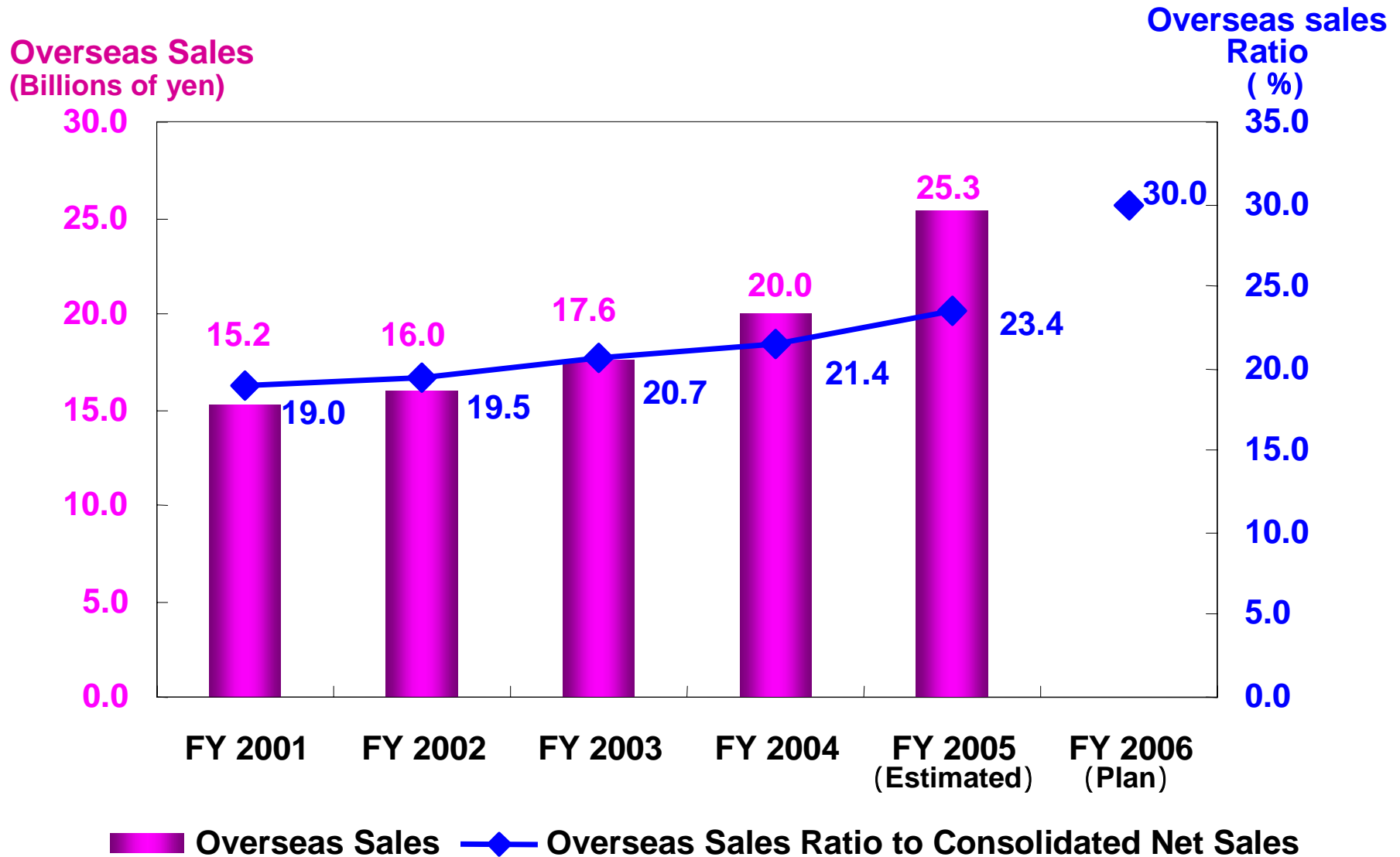


Progress of Strategically Developed Products

Net Sales
(Billions of yen)



Trend in Overseas Sales



Progress of Promoting Globalization

1) Three Overseas Production Facilities (Billions of yen)

Area	Subsidiaries	FY 2005(Estimated)	
		Net Sales	Ordinary Income
North America	SCR	1 . 8 4	(0 . 1 4)
	SANAM	2 . 1 9	0 . 1 5
ASEAN	SKT	0 . 9 3	(0 . 0 6)
China	SKN	0 . 5 5	(0 . 3 0)
	SDN	2 . 2 5	(0 . 1 2)
Total		7 . 7 6	(0 . 4 7)

2) Overseas Satellite Laboratories

Set up : SKN, SCR, SDN

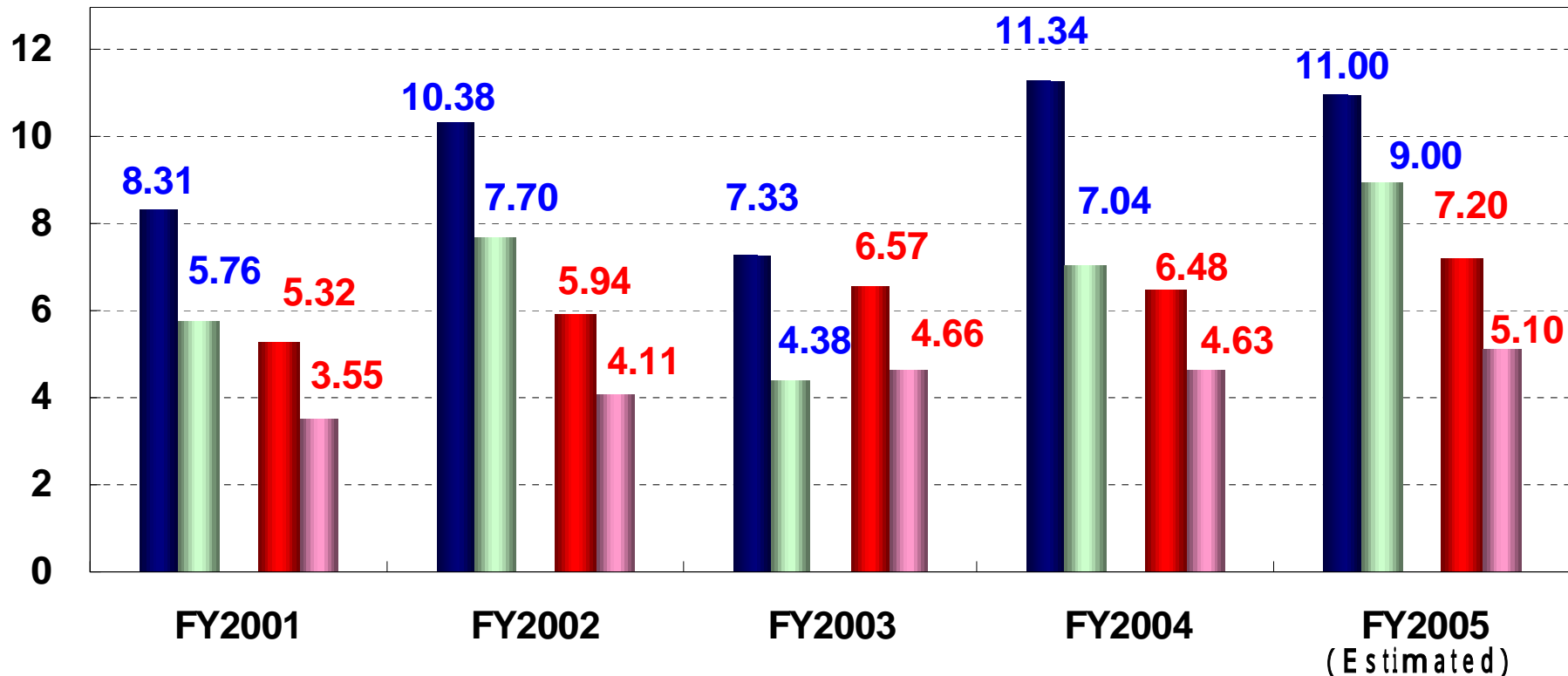
Preparing : SKT

3) Overseas Liaison Office

Shanghai (China), Mumbai (India), Taipei (Taiwan),
 Bangkok (Thailand), Seoul (South Korea)

Trend in Depreciation & Amortization and Investment in Plant & Equipment

(Billions of yen)

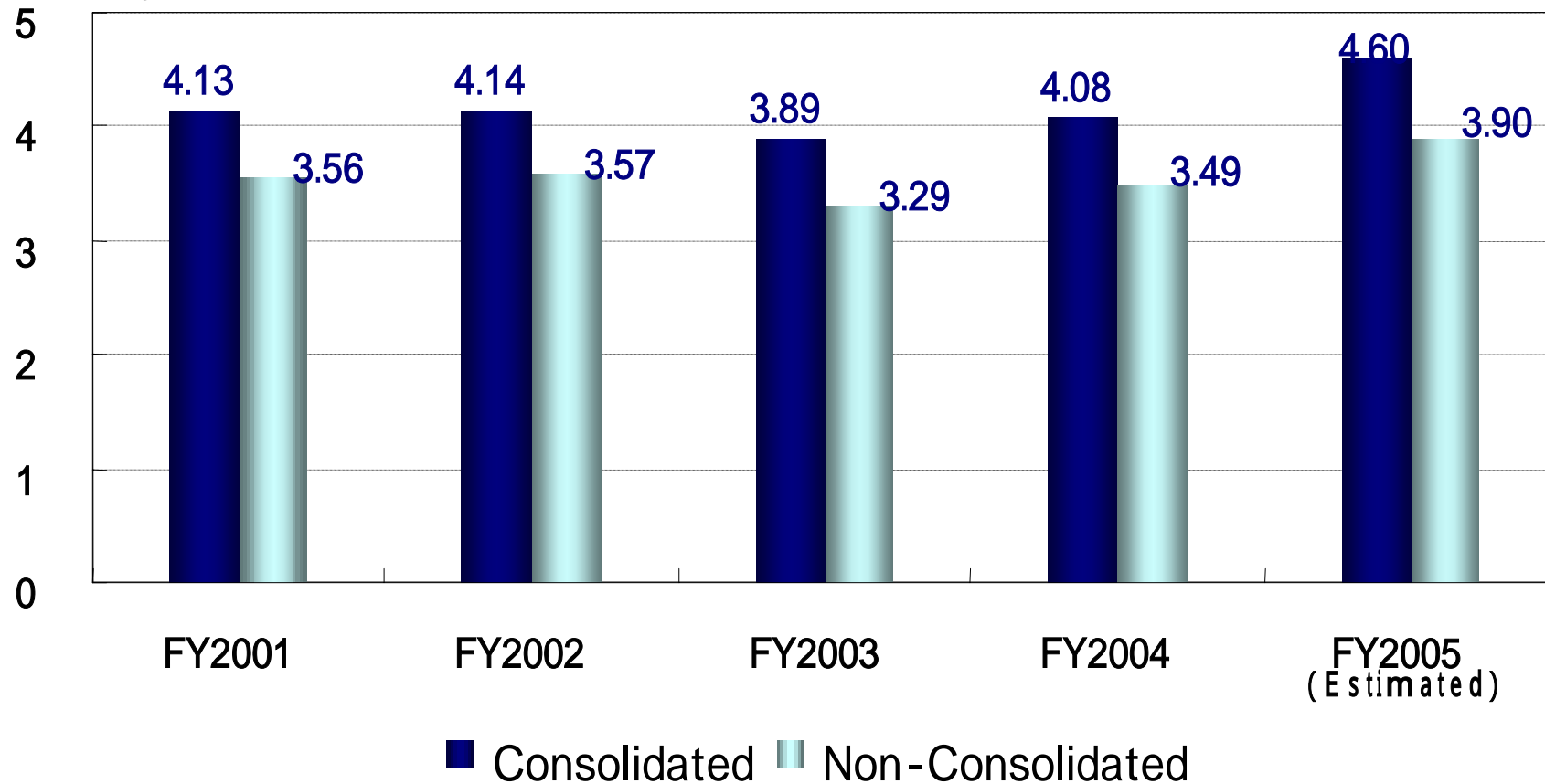


Investment in Plant & Equipment
 ■ Consolidated ■ Non-Consolidated

Depreciation & Amortization
 ■ Consolidated ■ Non-Consolidated

Trend in R&D Investment

(Billions of yen)



Main Investment in Plant & Equipment FY 2005 Through FY2006

- * Polyester Beads(PEB) for Color Toners Production Facilities at the Kashima Factory**
- * Superabsorbent Polymers(SAP) Production Facilities in China [SDN]**
- * Thermoplastic Polyurethane Beads(TUB) Production Facilities in U.S. [SCTI]**
- * Thermoplastic Polyurethane Beads Production Facilities at the Nagoya Factory**
- * Alkylene Oxide Adducts Production Facilities at the Kawasaki Factory [SCC]**
- * Alkylene Oxide Adducts Production Facilities at the Nagoya Factory**
- * General-purpose Organic Synthesis Production Facilities at the Nagoya Factory**

San-Dia Polymers (Nantong) Co., Ltd. [SDN] Started Commercial Production.



Opening Ceremony on October 12, 2005



Office and Plant in the Factory

SDN Started Commercial Production in April 2005

Floor Space : 20,000 m² site

Productivity : 20,000 tons / Year

Number of Employees : 67
(including 51 local employees)

Products : Superabsorbent polymers

Estimated Net Sales FY 2005 : ¥2.2 billion



The Appearance of the Factory

End