

A Statement of Accounts

**Results of 1st Half - Fiscal Year 2006
(Six Months ended September 30, 2006)**

&

Forecast of Fiscal Year 2006



<Notice>

Yen amounts and ratios described in this presentation material are rounded off.

<Cautionary Statement with Respect to Forward-looking Statement>

This presentation material contains projections based on the assumptions, forward-looking statements and plans about the future of Sanyo Chemical Industries, Ltd. as of October 31, 2006. Actual performance results may vary significantly due to a variety of factors affecting the sphere of business that include but are not limited to: the world economy, competitive position, and fluctuations in the exchange rate, raw material costs, and others.

Please Contact

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Sanyo Chemical Industries, Ltd.

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Corporate Data

Date of Establishment : November 1, 1949

Head Office : Higashiyama-ku, Kyoto

Branch Offices : Tokyo, Osaka

Domestic Factories : Nagoya, Kashima, Kyoto, Kawasaki

Number of Consolidated Employees : Approx. 1,600

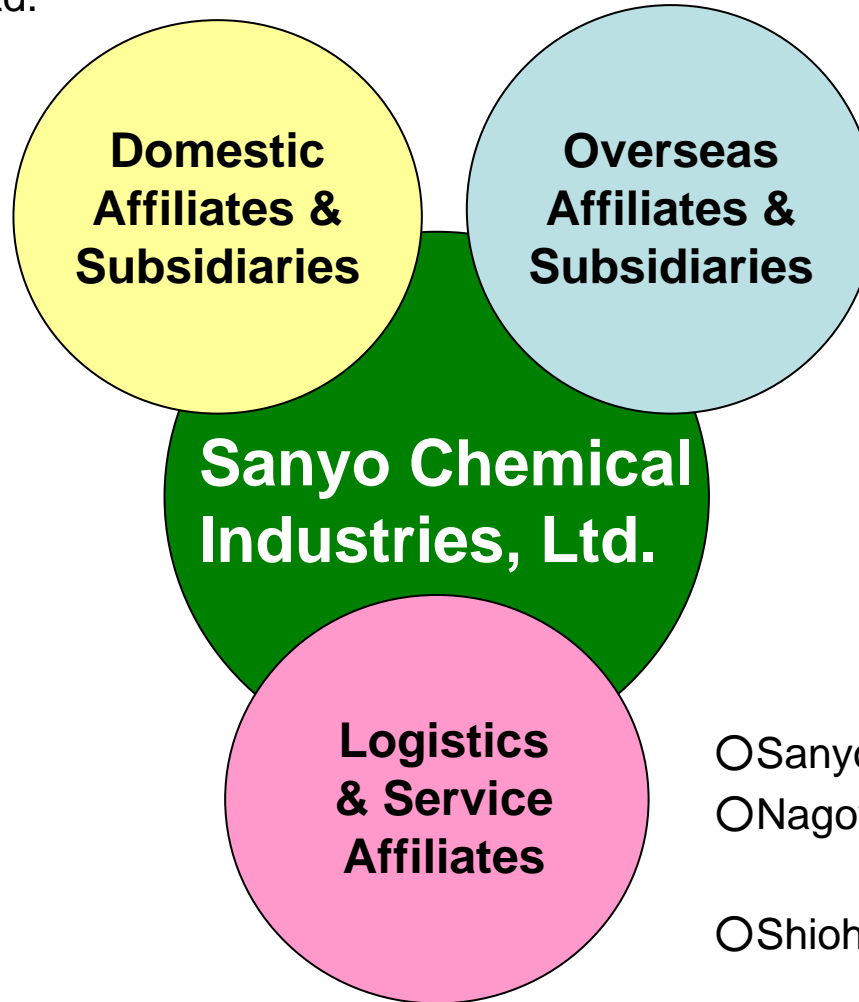
**Line of Business : Manufacture & sales of approx. 3,000
types of performance chemicals**

Principal Products

Class.	Sub-category	Products
Surfactants	Surfactant for Textiles	Agents for Textile Manufacturing, Dyeing Auxiliaries
	Industrial Surfactants	Agents for Hair Care Products and Detergents
Polyurethane Chemicals	Raw Materials for Polyurethane	Raw Materials for Polyurethane Foam, Polypropylene Glycols (PPG)
	Polyurethane Resins	Thermoplastic Polyurethane Beads (TUB) for the Interior Parts of Automobiles, Resins for Inks
Lipophilic High-molecular Agents	Lubricating Oil & Machine-related Products	Base Materials for Synthetic Lubricating Oils, Viscosity Index Improvers, Machinery Processing Agent
	Coating & Adhesive-related Products	Potting Resins for Artificial Kidneys, UV and EB Curing Resins
	Office Machine-related Products	Polyester Beads (PEB) as a Core Component of Polymerization Toners, Toner Resins
Hydrophilic High-molecular Agents	Water Treatment-related Products	Polymeric Flocculants for Wastewater Treatment
	Superabsorbent Polymers	Superabsorbent Polymers (SAP)
Specialty Products	Resin & Polymer Modifiers	Permanent Antistatic Agents, Pigment Dispersants
	Electric/Electronic-related Products	Electrolyte for Capacitors, Agents for Silicon Wafer Manufacturing
	Others	Polymers for Enhanced Oil Recovery, Civil Engineering and Construction-related Products
Others	-	Diagnostic Reagents, Synthetic Woods

Sanyo Chemical Group

- San-Dia Polymers, Ltd.
- San Nopco, Ltd.
- San-Apro, Ltd.
- San Chemical Co., Ltd.
- San-Petrochemicals Co., Ltd.



- Sanyo Kasei (Thailand) Ltd.
- SANAM Corporation
- Sanyo Chemical & Resins Inc. (USA)
- Sanyo Kasei (Nantong) Co., Ltd. (China)
- San-Dia Polymers (Nantong) Co., Ltd. (China)
- **Sanyo Chemical Texas, Inc. (USA)**
- Sunrise Chemical LLC (USA)

- Subsidiaries
- Affiliates

- Sanyo Transport Co., Ltd.
- Nagoya Sanyo Warehouse Co., Ltd.
- Shiohama Chemical Warehouse Co., Ltd.
- Sanliving Ltd.

Domestic Subsidiaries

Company Name	Abbr.	Equity Ownership	Line of Business
San-Dia Polymers, Ltd.	SDP	Sanyo Chemical 60% Mitsubishi Chemical 40%	Manufacture & Sales of Superabsorbent Polymers
San Nopco, Ltd.	SNL	Sanyo Chemical 100%	Manufacture & Sales of Specialty Chemicals
San Chemical Co., Ltd.	SCC	Sanyo Chemical 50% Nippon Oil Corp. 50%	Manufacture & Sales of Polyether Polyols & Polyethylene Glycols
San-Apro, Ltd.	SA	Sanyo Chemical 50% Air-Products 50%	Manufacture & Sales of Curing Accelerators for Epoxy Resins, and Catalysts for Polyurethane Foam

Overseas Subsidiaries

Company Name	Abbr.	Equity Ownership	Line of Business
Sanyo Kasei (Thailand) Ltd.	SKT	Sanyo Chemical Toyota Tsusho Corp. and others	89% 11% Manufacture & Sales of Surfactants, Polyurethane Resins
SANAM Corporation	SANAM	Sanyo Chemical	100% Import & Sales of Sanyo Chemical Products in USA
Sanyo Chemical & Resins Inc.	SCR	Sanyo Chemical SANAM Corp.	50% 50% Manufacture & Sales of Toner Resins, Polyurethane Resins
Sanyo Kasei (Nantong) Co., Ltd.	SKN	Sanyo Chemical	100% Manufacture & Sales of Surfactants, Polyurethane Resins
San-Dia Polymers (Nantong) Co., Ltd.	SDN	San-Dia Polymers, Ltd.	100% Manufacture & Sales of Superabsorbent Polymers
Sanyo Chemical Texas, Inc.	SCTI	Sanyo Chemical	100% Manufacture & Sales of Polyurethane Beads

Affiliates

Company Name	Abbr.	Equity Ownership	Line of Business
San-Petrochemicals Co., Ltd.	SPCC	Sanyo Chemical 50% Nippon Oil Corp. 50%	Manufacture & Sales of Raw Materials for Synthetic Rubbers
Sunrise Chemical LLC	SRC	SANAM Corp. 50% Nisseki Chemical Texas 50%	Manufacture & Sales of Raw Materials for Synthetic Rubbers
Sanyo Transport Co., Ltd.	—	Sanyo Chemical 100%	General Trucking
Nagoya Sanyo Warehouse Co., Ltd.	—	Sanyo Chemical 100%	Warehousing
Shiohama Chemical Warehouse Co., Ltd.	—	Sanyo Chemical 50% Nippon Oil Corp. 50%	Warehousing
Sanliving Ltd.	SL	Sanyo Chemical 100%	Real Estate, Insurance, and Travel Agency

Results of Operations (Consolidated)

(Billions of Yen)

	Six months ended Sep. 30, 2006: 1H – FY 2006	Six months ended Sep. 30, 2005: 1H – FY 2005	From the 1st Half of the Previous Fiscal Year	
			Increase	The Ratio of Increase
Net Sales	57.9	51.4	6.5	13%
Operating Income	2.6	3.1	(0.5)	(16%)
% of Net Sales	4.5%	6.0%	—	—
Ordinary Income	3.3	3.4	(0.1)	(3%)
% of Net Sales	5.7%	6.6%	—	—
Net Income	1.7	1.3	0.4	31%
% of Net Sales	2.9%	2.5%	—	—
Net Income Per Share (Yen)	15.4	12.2	3.2	26%

Analysis of Changed Operating Income from the Previous 1H – FY 2005		Change (Billions of Yen)
Increase in Volume		1.1
Itemized	Raised Raw Material Costs	(3.2)
Buying & Selling	Revised Product Prices	1.8
Cost Reduction		0.4
Fixed Costs		(0.6)
Total		(0.5)

Results of Operations for Forecast (Consolidated)

(Billions of Yen)

	Six months ended Sep. 30, 2006: 1H – FY 2006	Preceding Forecast* of 1H – FY 2006	From the Forecast	
			Change	Achievement Ratio
Net Sales	57.9	59.0	(1.1)	98%
Operating Income	2.6	4.0	(1.4)	65%
% of Net Sales	4.5%	6.8%	—	—
Ordinary Income	3.3	4.3	(1.0)	77%
% of Net Sales	5.7%	7.3%	—	—
Net Income	1.7	2.3	(0.6)	74%
% of Net Sales	2.9%	3.9%	—	—

* We disclosed the amount on April 28 & July 28, 2006

Analysis of Changed Operating Income from the Forecast		Change (Billions of Yen)
Increase in Volume		(0.4)
Itemized	Raised Raw Material Costs	(1.1)
Buying & Selling	Revised Product Prices	0.7
Cost Reduction		(0.6)
Fixed Costs		0.0
Total		(1.4)

Results of Operations (Non-consolidated)

(Billions of Yen)

	Six months ended Sep. 30, 2006: 1H – FY 2006	Six months ended Sep. 30, 2005: 1H – FY 2005	From the 1st Half of the Previous Fiscal Year	
			Increase	The Ratio of Increase
Net Sales	43.8	39.7	4.1	10%
Operating Income	1.2	1.9	(0.7)	(37%)
% of Net Sales	2.7%	4.8%	—	—
Ordinary Income	2.6	2.9	(0.3)	(10%)
% of Net Sales	5.9%	7.3%	—	—
Net Income	2.0	1.0	1.0	100%
% of Net Sales	4.6%	2.5%	—	—
Net Income Per Share (Yen)	18.0	8.9	9.1	102%

Analysis of Changed Operating Income from the Previous 1H – FY 2005		Change (Billions of Yen)
Increase in Volume		8
Itemized	Raised Raw Material Costs	(22)
Buying & Selling	Revised Product Prices	11
Cost Reduction		3
Fixed Costs		(7)
Total		(7)

Results of Operations for Forecast (Non-consolidated)

(Billions of Yen)

	Six months ended Sep. 30, 2006: 1H – FY 2006	Preceding Forecast* of 1H – FY 2006	From the Forecast	
			Change	Achievement Ratio
Net Sales	43.8	44.0	(0.2)	99%
Operating Income	1.2	2.3	(1.1)	52%
% of Net Sales	2.7%	5.2%	—	—
Ordinary Income	2.6	3.3	(0.7)	79%
% of Net Sales	5.9%	7.5%	—	—
Net Income	2.0	2.3	(0.3)	87%
% of Net Sales	4.6%	5.2%	—	—

* We disclosed the amount on April 28 & July 28, 2006

Analysis of Changed Operating Income from the Forecast		Change (Billions of Yen)
Increase in Volume		0.1
Itemized	Raised Raw Material Costs	(0.9)
Buying & Selling	Revised Product Prices	0.2
Cost Reduction		(0.5)
Fixed Costs		0.0
Total		(1.1)

Results of Operations (Total of Subsidiaries)

(Billions of Yen)

	Six months ended Sep. 30, 2006: 1H – FY 2006	Six months ended Sep. 30, 2005: 1H – FY 2005	From the 1st Half of the Previous Fiscal Year	
			Increase	The Ratio of Increase
Net Sales	25. 1	21. 5	3. 6	17%
Operating Income	1. 3	1. 1	0. 2	18%
% of Net Sales	5. 2%	5. 1%	—	—
Ordinary Income	1. 5	1. 3	0. 2	15%
% of Net Sales	6. 0%	6. 0%	—	—
Net Income	0. 8	0. 2	0. 6	300%
% of Net Sales	3. 2%	0. 9%	—	—

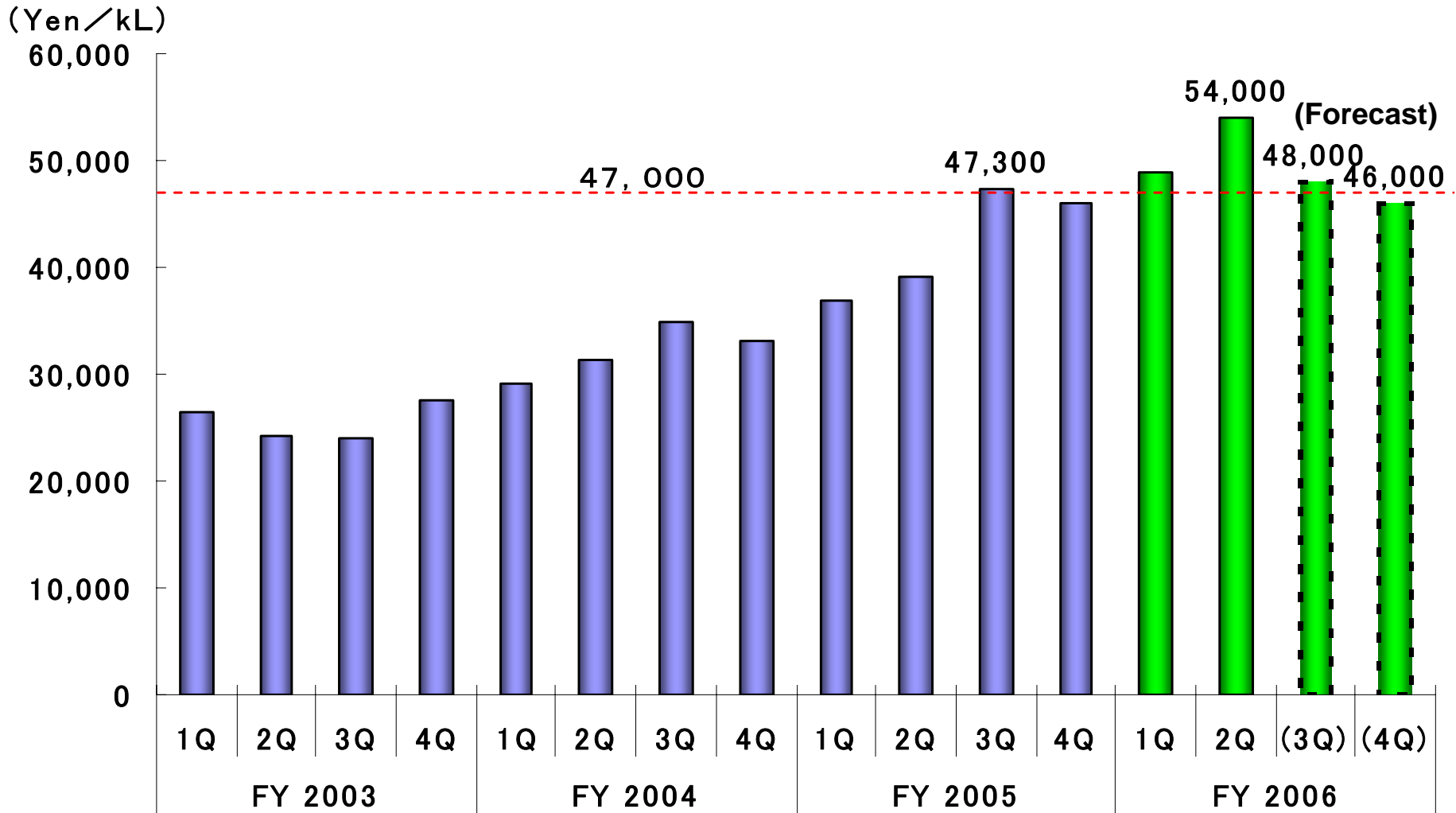
(Internal sales among Sanyo Chemical Groups are included)

Results of Operations (SDP)

(Billions of Yen)

	Six months ended Sep. 30, 2006: 1H – FY 2006	Six months ended Sep. 30, 2005: 1H – FY 2005	From the 1st Half of the Previous Fiscal Year	
			Increase	The Ratio of Increase
Net Sales	8.3	7.9	0.4	5%
Operating Income	0.7	0.9	(0.2)	(22%)
% of Net Sales	8.4%	11.4%	—	—
Ordinary Income	0.7	0.9	(0.2)	(22%)
% of Net Sales	8.4%	11.4%	—	—
Net Income	0.4	0.1	0.3	300%
% of Net Sales	4.8%	1.3%	—	—

Domestic Naphtha Prices (Japan)



Consolidated Statements of Cash Flows

(Billions of Yen)

	1st Half FY 2006	1st Half FY 2005	FY 2005
Net Cash Provided by Operating Activities	2.66	2.96	9.07
Income Before Income Taxes and Minority Interests	3.28	2.75	6.57
Depreciation and Amortization	3.86	3.17	7.00
Others	(4.48)	(2.96)	(4.50)
Net Cash Used in Investing Activities	(4.00)	(4.36)	(16.84)
Payments for Purchase of Fixed Assets	(7.72)	(4.32)	(8.84)
Payments for Purchase of Investments in Securities	(1.49)	(0.00)	(2.38)
Time Deposit	5.00	—	(5.00)
Others	0.21	(0.04)	(0.62)
<i>Free Cash Flow</i>	(1.34)	(1.40)	(7.77)
Net Cash Used in Financing Activities	2.23	(0.97)	8.15
Cash and Cash Equivalents at end of the Period	15.64	11.52	14.41

Forecast of Fiscal Year 2006 (Consolidated)

(Billions of Yen)

	Forecast of FY 2006	Preceding Forecast*	Result of FY 2005	From the Previous FY 2005	
				Increase	The Ratio of Increase
Net Sales	122.0	122.0	108.4	13.6	13%
Operating Income	6.7	8.2	7.2	(0.5)	(7%)
Ordinary Income	8.0	9.2	7.9	0.1	1%
Net Income	3.3	4.2	3.2	0.1	3%

* We disclosed the amount on April 28 & July 28, 2006

(Billions of Yen)

Analysis of Changed Operating Income from the Previous FY 2005		2nd Half	Annual
Increase in Volume		1.7	2.8
Itemized Buying & Selling	Raised Raw Material Costs	(2.4)	(5.5)
	Revised Product Prices	1.5	3.3
Cost Reduction		0.4	0.8
Fixed Costs		(1.2)	(1.9)
Total		0.0	(0.5)

Forecast of Fiscal Year 2006 (Non-Consolidated)

(Billions of Yen)

	Forecast of FY 2006	Preceding Forecast*	Result of FY 2005	From the Previous FY 2005	
				Increase	The Ratio of Increase
Net Sales	92. 0	90. 0	82. 1	9. 9	12%
Operating Income	3. 8	4. 8	4. 0	(0. 2)	(5%)
Ordinary Income	6. 0	6. 6	5. 8	0. 2	3%
Net Income	4. 0	4. 5	2. 5	1. 5	60%

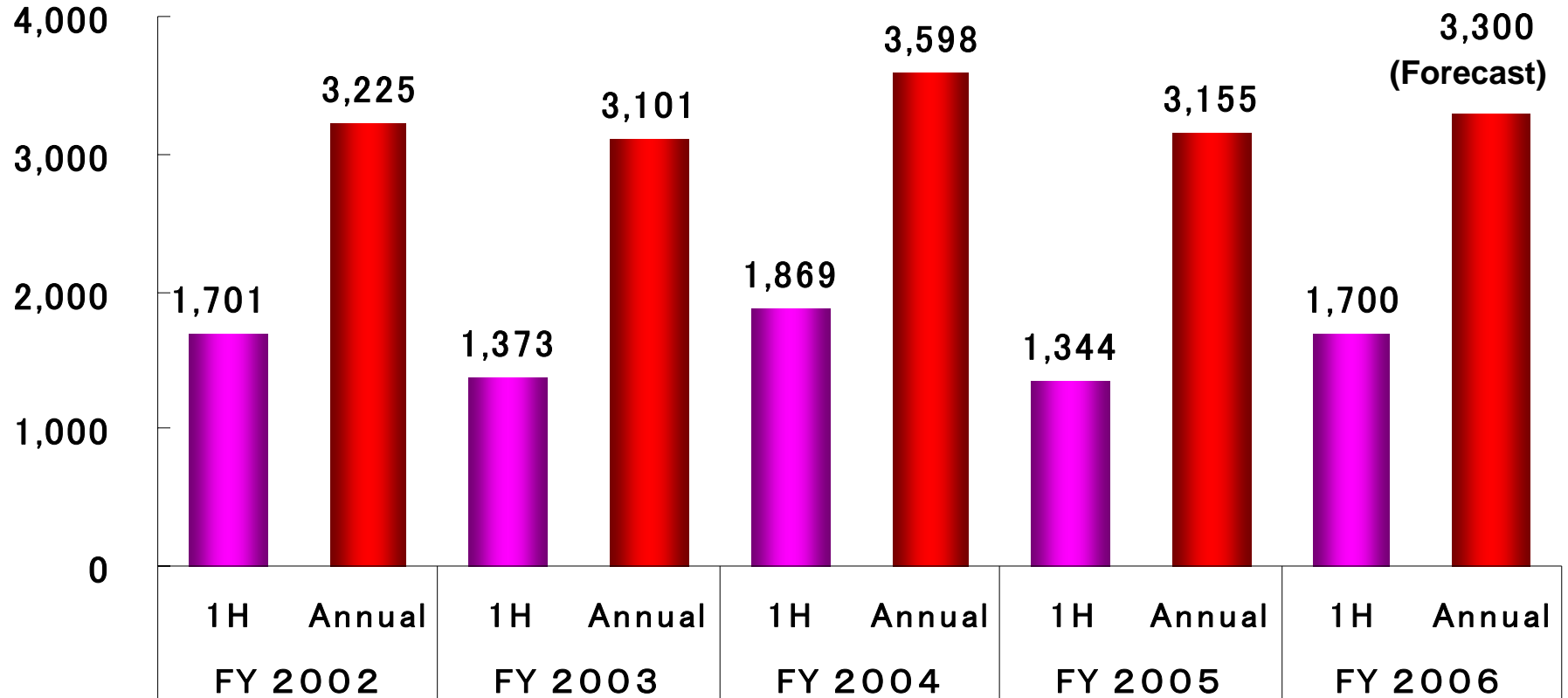
* We disclosed the amount on April 28 & July 28, 2006

(Billions of Yen)

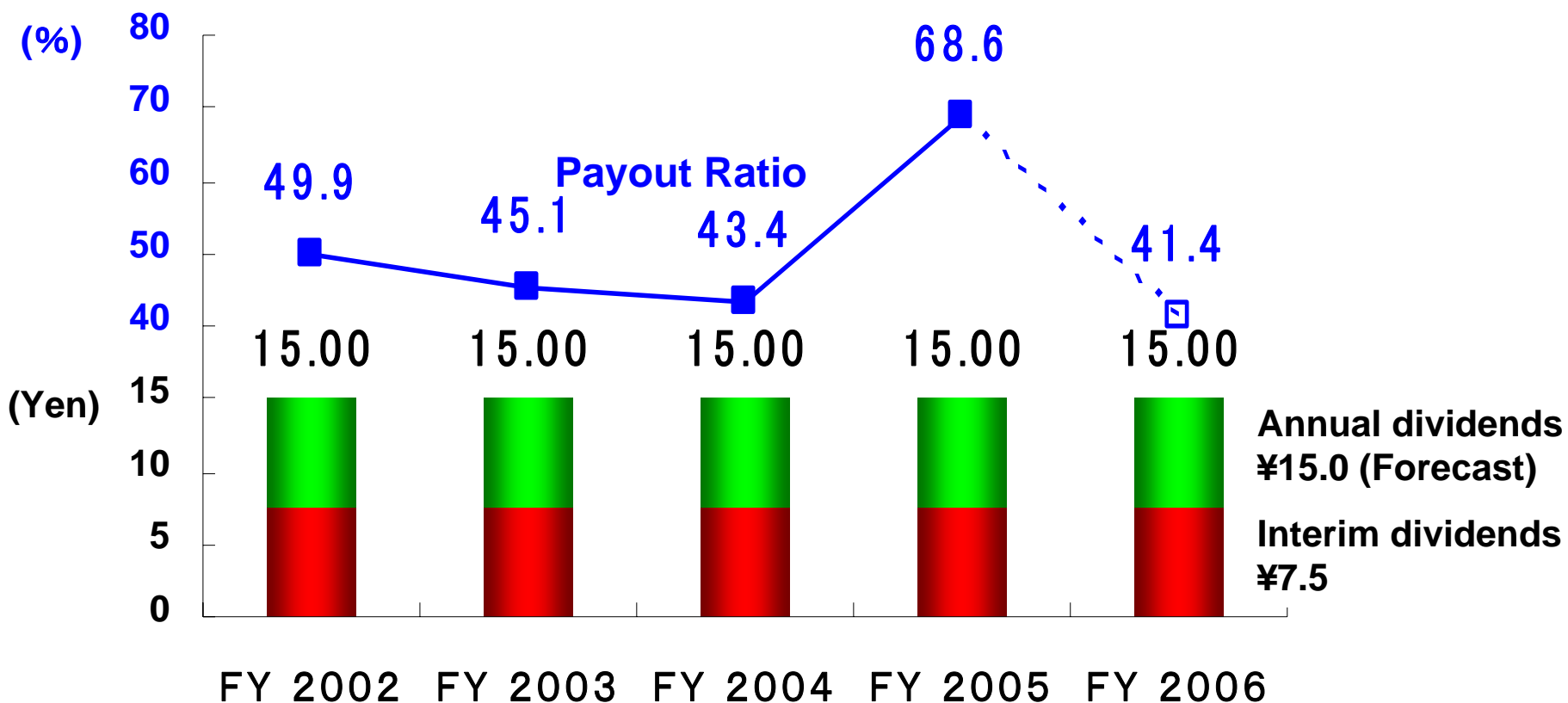
Analysis of Changed Operating Income from the Previous FY 2005		2nd Half	Annual
Increase in Volume		1. 4	2. 2
Itemized Buying & Selling	Raised Raw Material Costs	(1. 6)	(3. 7)
	Revised Product Prices	1. 5	2. 6
Cost Reduction		0. 4	0. 7
Fixed Costs		(1. 2)	(2. 0)
Total		0. 5	(0. 2)

Net Income (Consolidated)

Net Income
(Millions of Yen)



Dividends per Share (Non-consolidated)



Net Sales by Product Group (Consolidated)

(Billions of Yen)

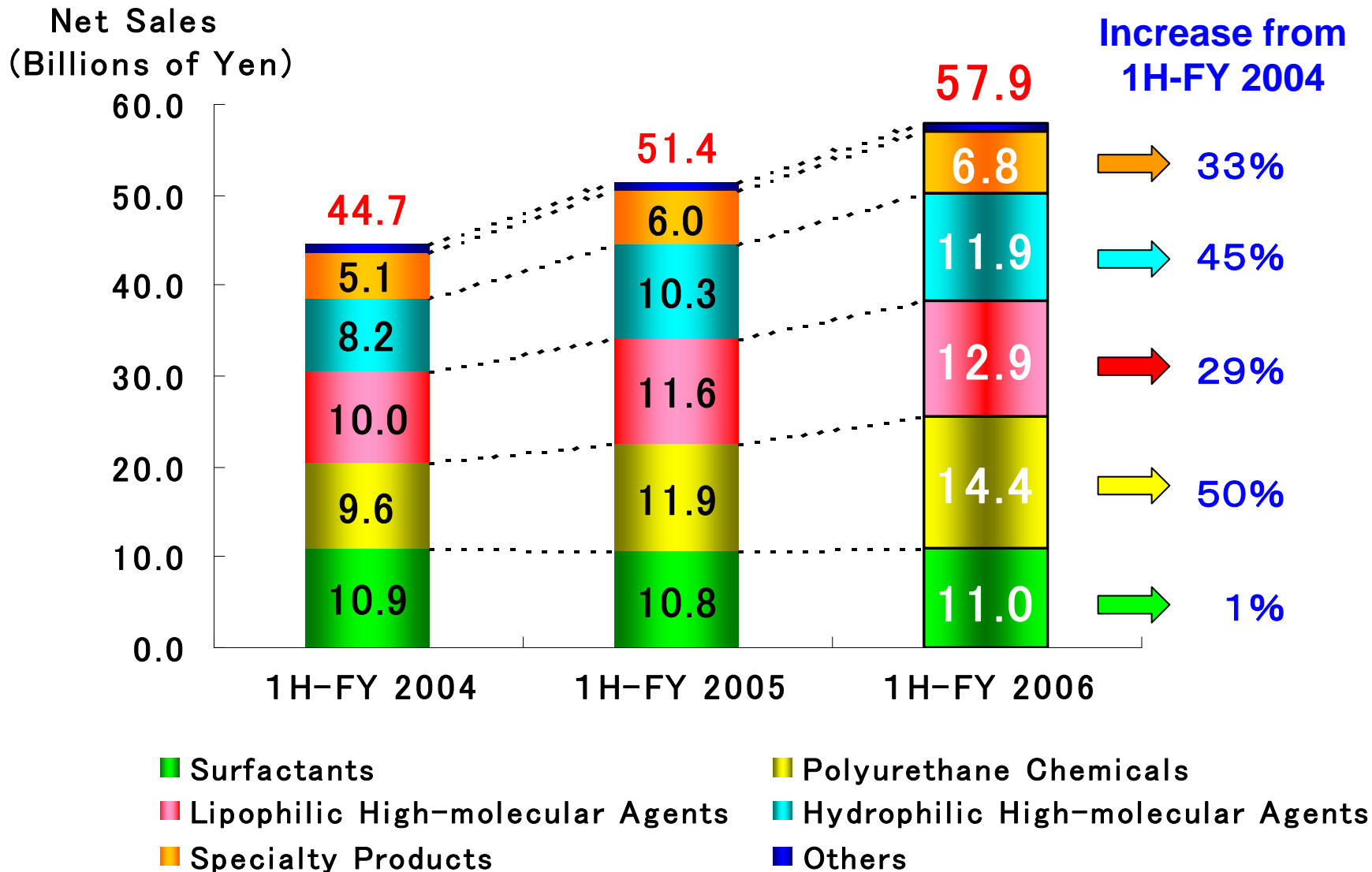
Classifications	1st Half FY 2006	1st Half FY 2005	From the Previous 1H-FY 2005	FY 2006 (Forecast)	From the Previous FY 2005
Surfactants	11.0	10.8	2%	22.3	2%
Polyurethane Chemicals	14.4	11.9	21%	29.3	16%
Lipophilic High-molecular Agents	12.9	11.6	11%	27.4	16%
Hydrophilic High-molecular Agents	11.9	10.2	17%	26.6	15%
Specialty Products	6.8	6.0	13%	14.5	16%
Others	0.9	0.9	0%	1.9	0%
Total	57.9	51.4	13%	122.0	13%
Overseas Sales included in Total	17.8	13.6	31%	37.3	22%

Net Sales by Product Groups (Consolidated)

(Billions of Yen)

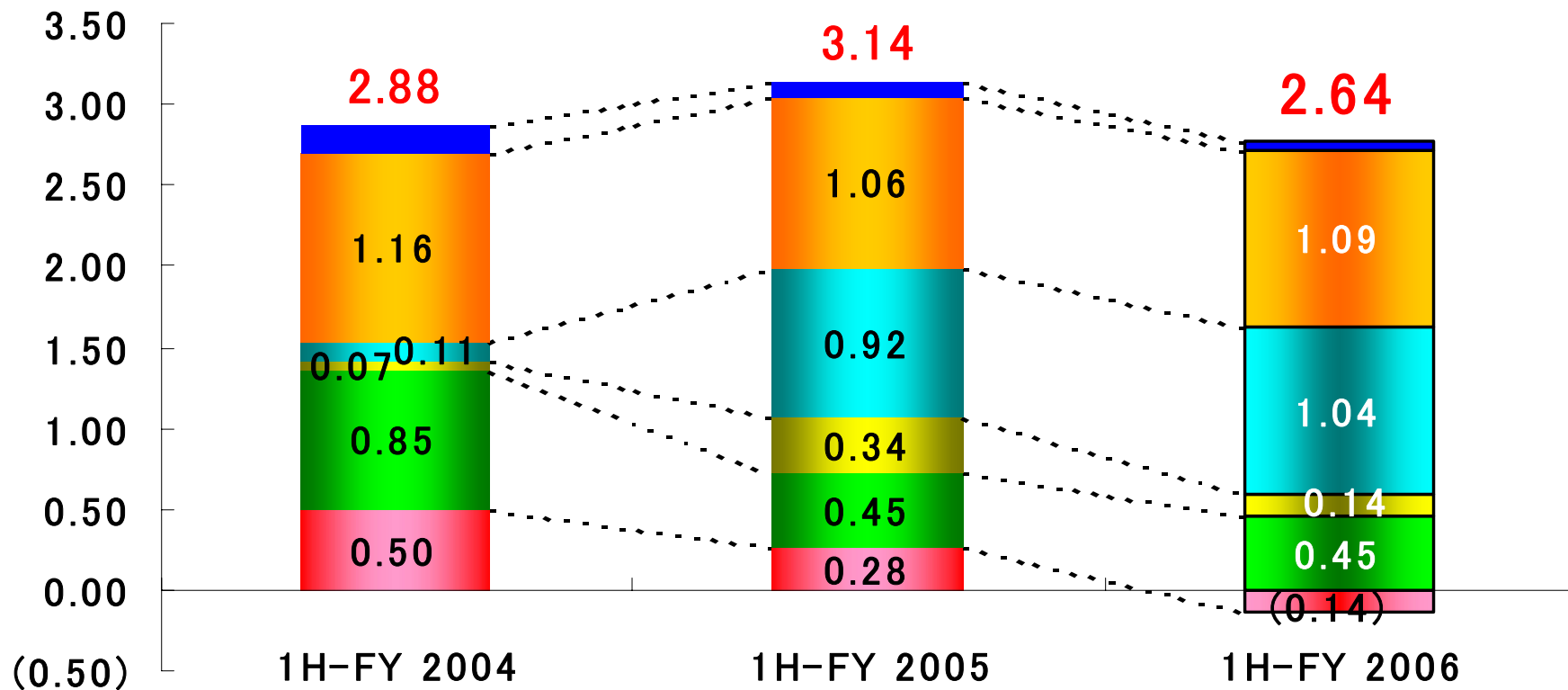
Group I	Group II	1st Half FY 2006	1st Half FY 2005	From the Previous 1H-FY 2005	FY 2006 (Forecast)	From the Previous FY 2005
Surfactants	Industrial Surfactants	8.9	8.7	2%	18.2	3%
	Surfactant for Textile	2.1	2.1	0%	4.1	(2%)
Polyurethane Chemicals	Raw Materials for Polyurethane Foam	10.2	8.5	20%	20.7	14%
	Polyurethane Resins	4.2	3.4	24%	8.6	19%
Lipophilic High-molecular Agents	Office Machine-related Products	6.5	5.7	14%	14.3	27%
	Lubricating Oil & Machine-related Products	4.4	4.1	7%	9.1	4%
	Coating & Adhesive-related Products	2.0	1.8	11%	4.1	9%
Hydrophilic High-molecular Agents	Superabsorbent Polymers	10.5	8.7	21%	23.9	18%
	Water Treatment Products	1.3	1.5	(13%)	2.7	(7%)
Specialty Products	Resin & Polymer Modifiers	2.7	2.4	13%	5.4	12%
	Electric/Electronic-related Products	2.3	1.9	21%	5.3	32%
	Others	1.8	1.7	6%	3.8	6%
Others		0.9	0.9	0%	1.9	0%
Total		57.9	51.4	13%	122.0	13%

Net Sales by Product Groups (Consolidated)



Operating Income by Product Groups (Consolidated)

Operating Income
(Billions of Yen)

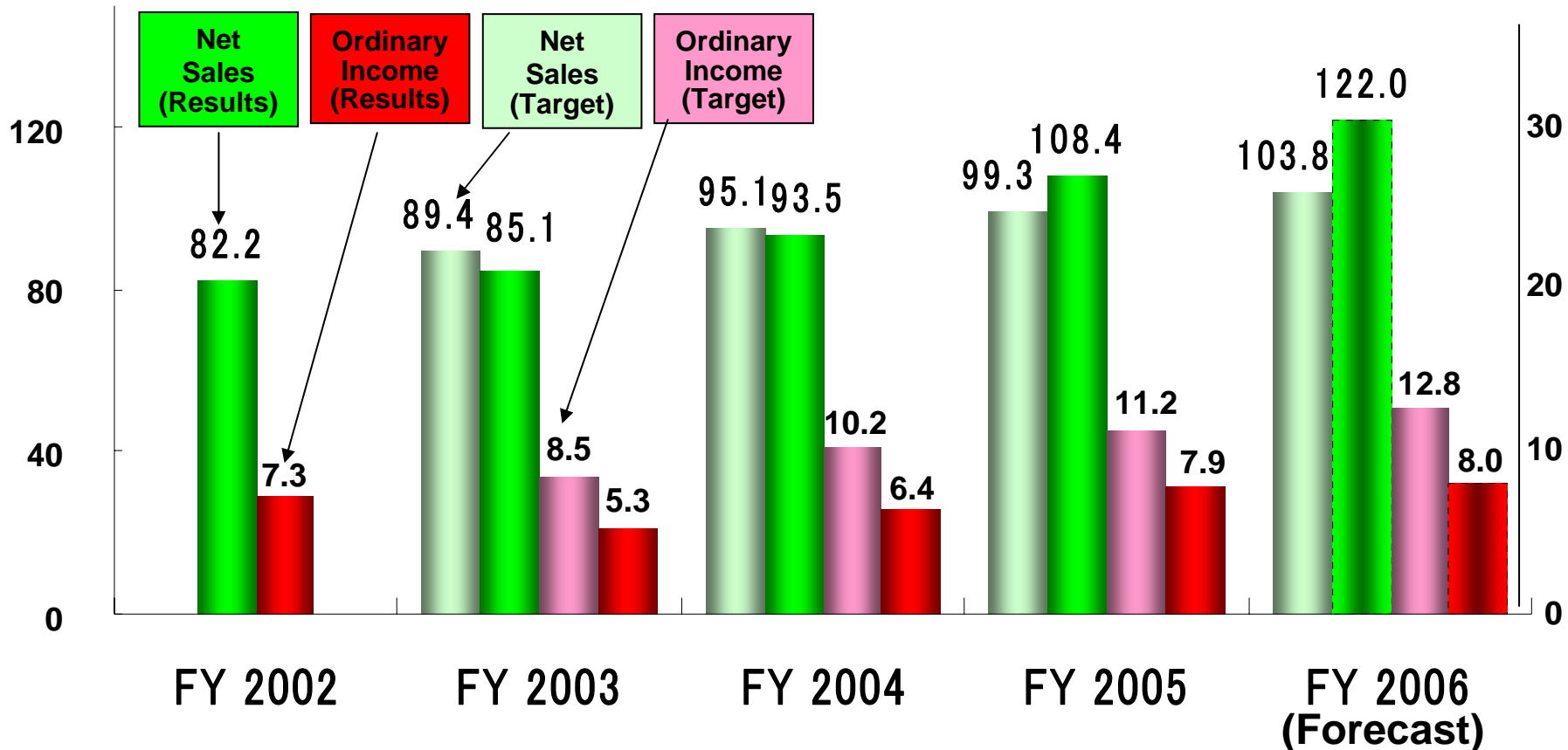


- Lipophilic High-molecular Agents
- Surfactants
- Polyurethane Chemicals
- Hydrophilic High-molecular Agents
- Specialty Products
- Others

Progress of the Sixth Medium-term Management Strategy

**Net Sales
(Billions of Yen)**

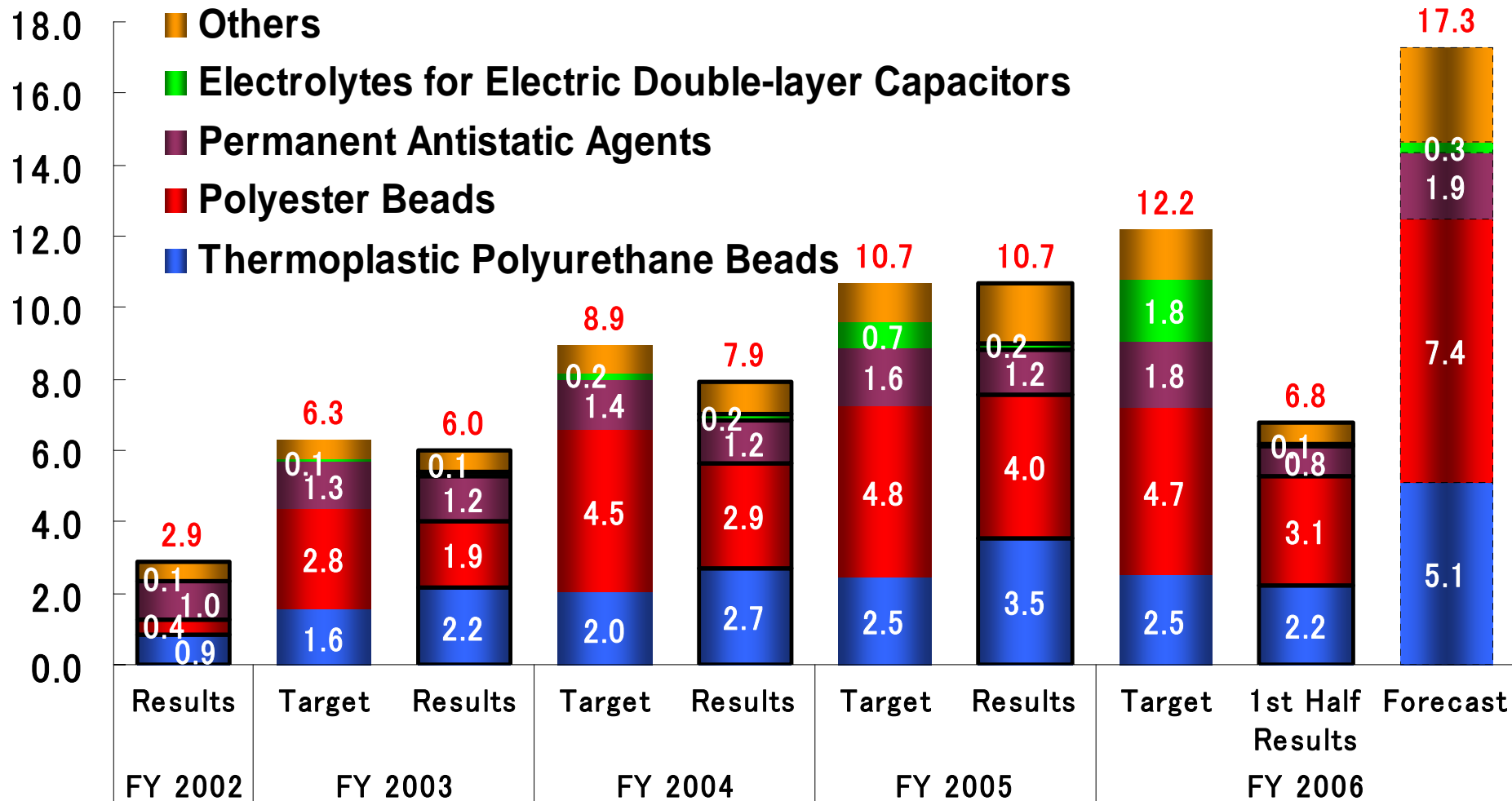
**Ordinary Income
(Billions of Yen)**



← The Sixth Medium-term Management Strategy →

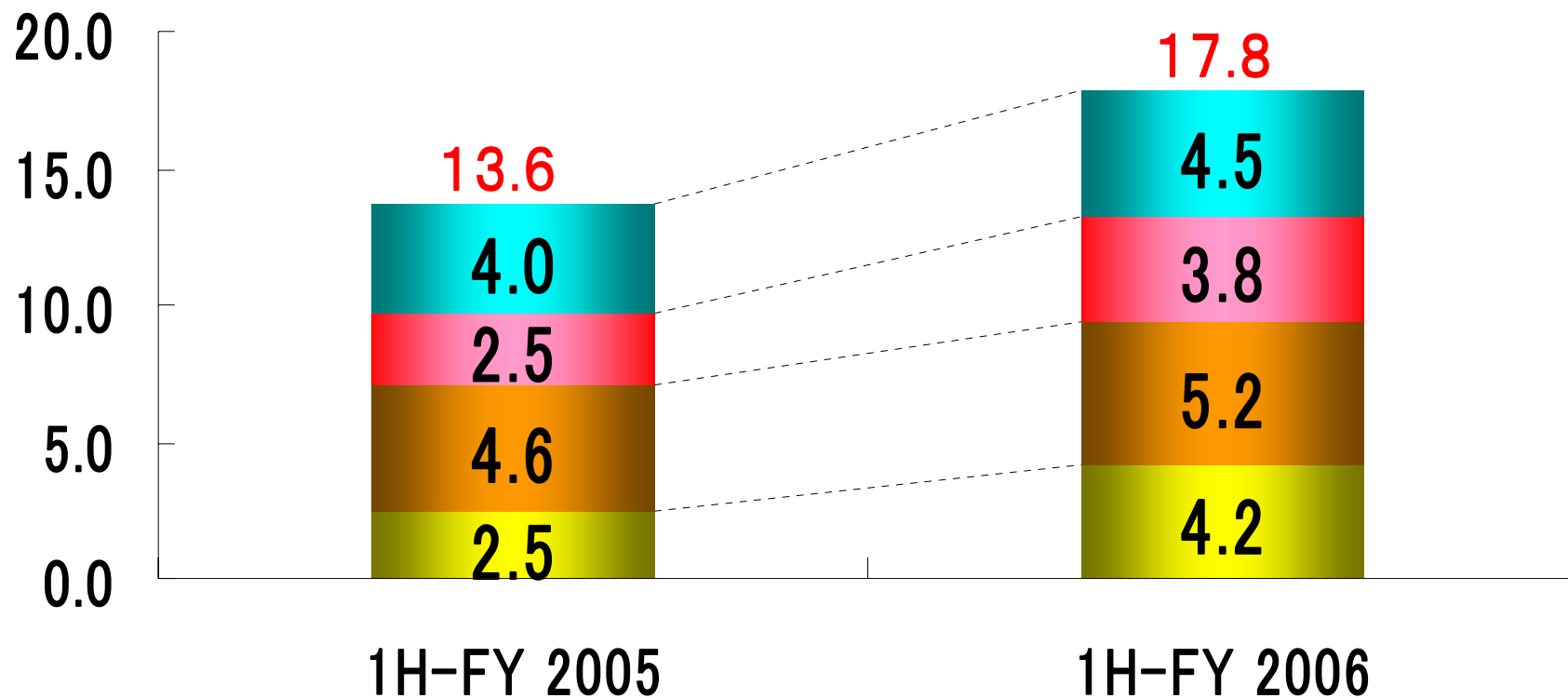
Progress of Strategically Developed Products

Net Sales
(Billions of Yen)



Overseas Sales

Overseas Sales
(Billions of Yen)



■ China ■ Asia except China ■ America ■ Other

Reclassification of Overseas Sales (Non-consolidated)

<Reclassification>

Previous Standard : Sales of our sales & marketing dept.
in charge of overseas

New Standard : Sales of the products recognized as
those delivered overseas

<Reason>

Because we count overseas sales more accurately

<Increase or Decrease>

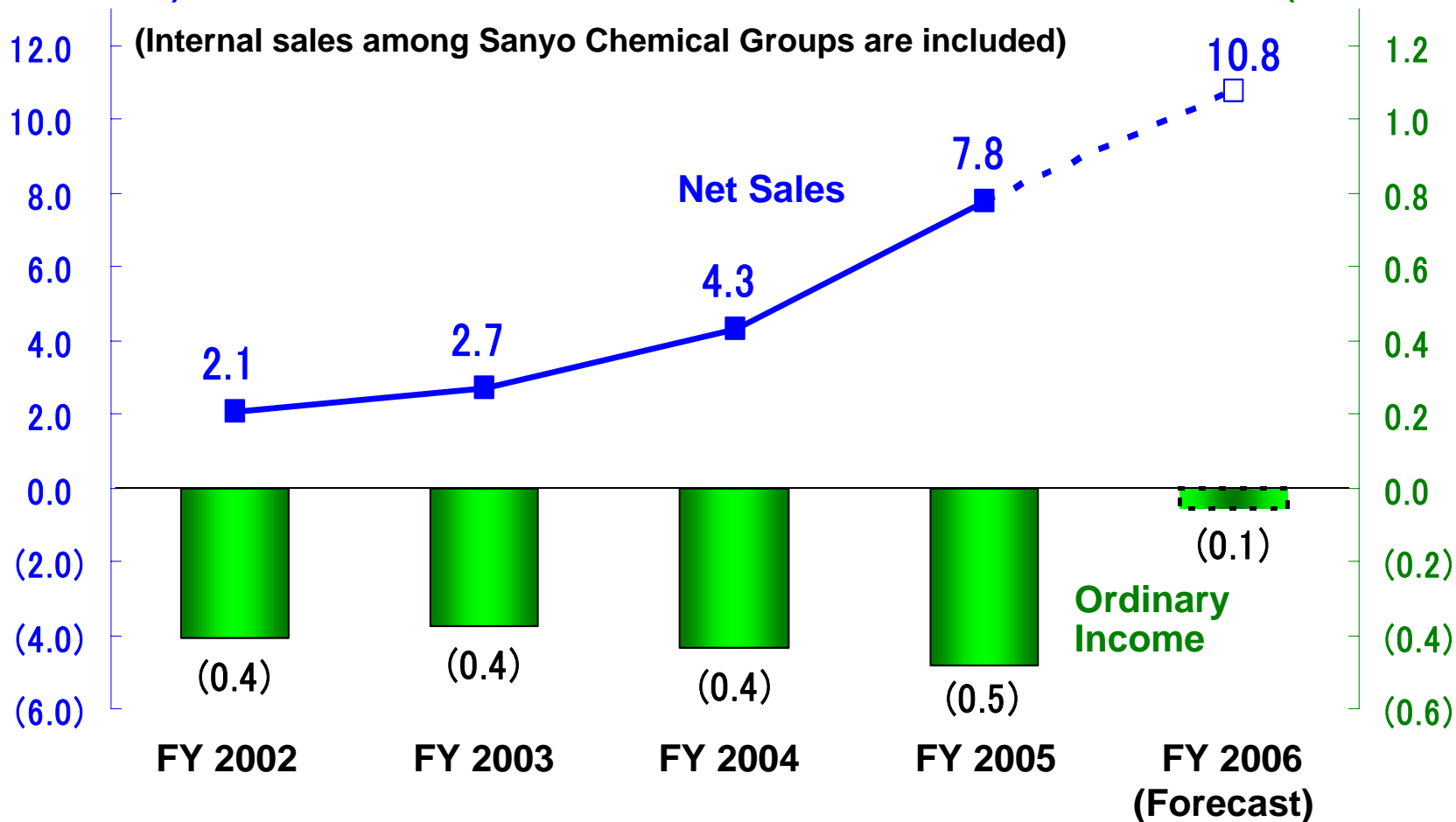
(Billions of Yen)

Consolidated	New Standard		Previous Standard	
	Overseas Sales	Ratio / Net Sales	Overseas Sales	Ratio / Net Sales
1st Half—FY 2006	17.81	31%	—	—
1st Half—FY 2005	13.62	27%	11.29	22%
FY 2005	30.63	28%	25.73	24%

Overseas Subsidiaries (6 Companies)

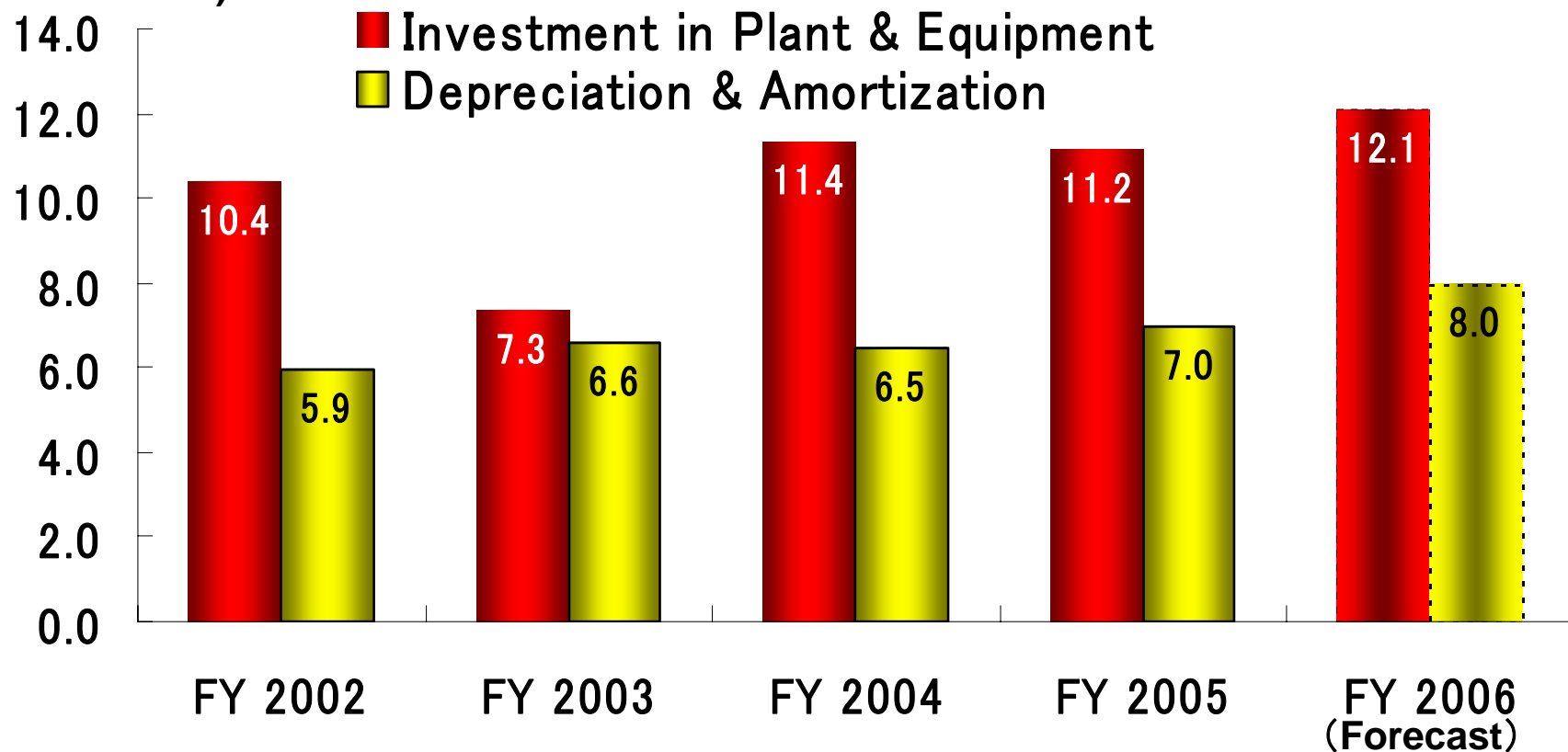
Net Sales
(Billions of Yen)

Ordinary Income
(Billions of Yen)



Investment in Plant & Equipment and Depreciation & Amortization (Consolidated)

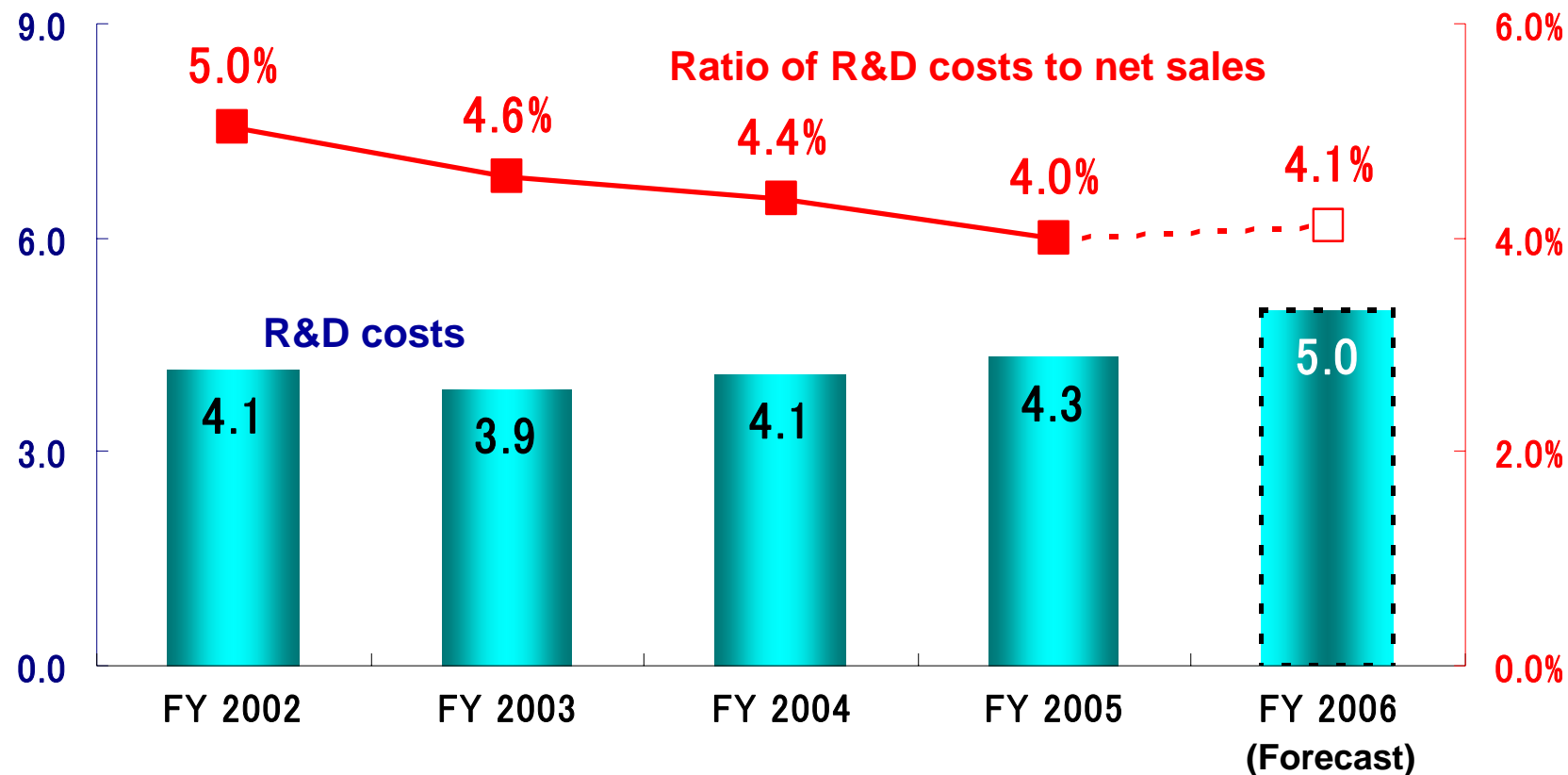
(Billions of Yen)



R&D Costs (Consolidated)

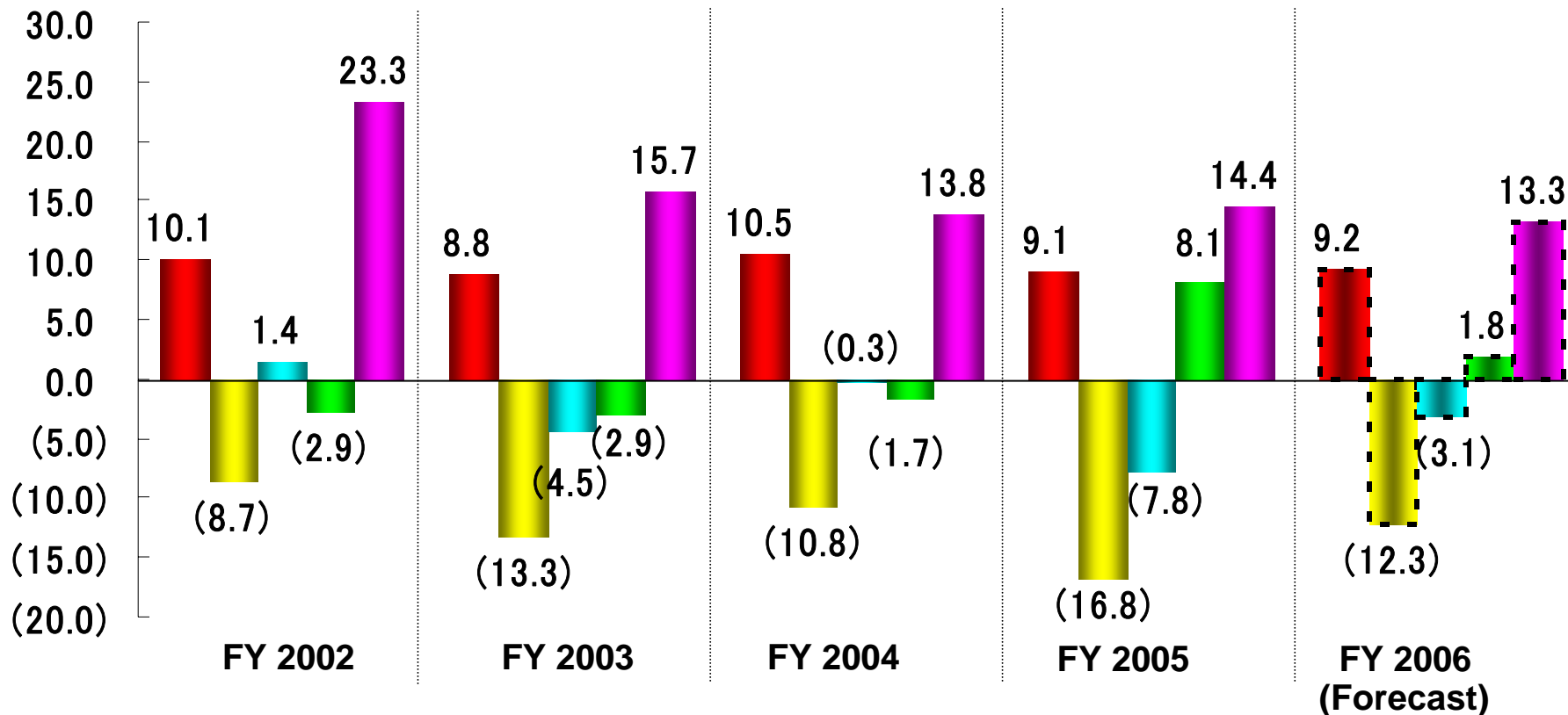
R&D costs
(Billions of Yen)

Ratio of R&D costs
to net sales



Cash Flows (Consolidated)

(Billions of Yen)



■ Operating Activities

■ Investing Activities

■ Free Cash Flow

■ Financing Activities

■ Cash and Cash Equivalents