

# *Challenge 10*

## **A Statement of Accounts**

**Results of 1st Half - Fiscal Year 2007  
(Six Months Ended September 30, 2007)**

**&**

**Forecast of Fiscal Year 2007**



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

<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, 2007. 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.

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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 : 1,719**

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

# Principal Products

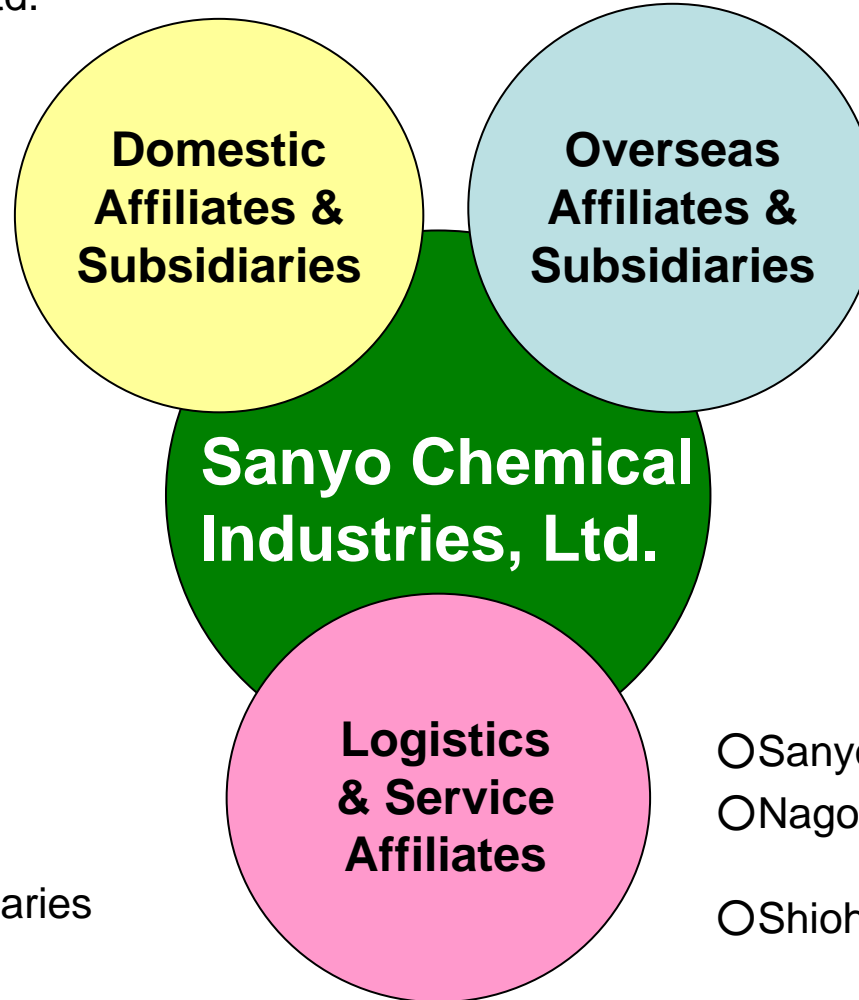


Class.	Sub-category	Products
Surfactants	Surfactant for Textiles	Agents for Textile Manufacturing, Dyeing Auxiliaries
	Industrial Surfactants	Agents for Hair Care Products and Detergents
Polyurethane Chemicals	Raw Materials for Polyurethane	Raw Materials for Polyurethane Foam, Polypropylene Glycols (PPG)
	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
	Copier-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)

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

- Consolidated Subsidiaries
- Affiliates

# Domestic Consolidated 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	SANAM Corp.	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



(Billions of Yen)

	Six months ended Sep.30, 2007: 1H-FY 2007	Six months ended Sep.30, 2006: 1H-FY 2006	Increase from the 1st half of the previous fiscal year	
			Amount	Ratio
Net sales	63.11	57.86	5.25	9%
Operating income	2.31	2.64	(0.33)	(13%)
% of net sales	3.7%	4.6%	—	—
Ordinary income	2.89	3.31	(0.42)	(13%)
% of net sales	4.6%	5.7%	—	—
Net income	0.77	1.70	(0.93)	(55%)
% of net sales	1.2%	2.9%	—	—
Net income per share(Yen)	6.97	15.43	(8.46)	(55%)

Analysis of changed operating income from the 1st half of the previous fiscal year		Change amount (Billions of Yen)	
Increase in volume		1.1	
Cost reduction, etc.		0.9	
Fixed costs		(0.5)	
Itemized buying & selling	Raised raw material costs	(2.5)	(1.8)
	Revised product prices	0.7	
Total		(0.3)	

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# Results of Operations for Forecast



(Billions of Yen)

	Six months ended Sep.30, 2007: 1H-FY 2007	Preceding forecast*	Increase from preceding forecast*	
			Amount	Ratio
Net sales	63.11	62.00	1.11	2%
Operating income	2.31	3.10	(0.79)	(25%)
% of net sales	3.7%	5.0%	—	—
Ordinary income	2.89	3.60	(0.71)	(20%)
% of net sales	4.6%	5.8%	—	—
Net income	0.77	1.90	(1.13)	(59%)
% of net sales	1.2%	3.1%	—	—

\*:We disclosed the amount on April 27 & July 30, 2007

Reduction in the deferred tax asset : (¥0.54 billion)

# Results of Operations (Non-Consolidated)



(Billions of Yen)

	Six months ended Sep.30, 2007: 1H-FY 2007	Six months ended Sep.30, 2006: 1H-FY 2006	Increase from the 1st half of the previous fiscal year	
			Amount	Ratio
Net sales	46.92	43.85	3.07	7%
Operating income	1.18	1.16	0.02	2%
% of net sales	2.5%	2.6%	—	—
Ordinary income	2.63	2.64	(0.01)	(0%)
% of net sales	5.6%	6.0%	—	—
Net income	0.86	1.99	(1.13)	(57%)
% of net sales	1.8%	4.5%	—	—
Net income per share(Yen)	7.84	18.04	(10.20)	(57%)

Analysis of changed operating income from the 1st half of the previous fiscal year		Change amount (Billions of Yen)	
Increase in volume		0.6	
Cost reduction, etc.		0.5	
Fixed costs		(0.1)	
Itemized buying & selling	Raised raw material costs	(2.0)	(1.0)
	Revised product prices	1.0	
Total		0.0	

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# Results of Operations for Forecast (Non-Consolidated)



(Billions of Yen)

	Six months ended Sep.30, 2007: 1H-FY 2007	Preceding forecast*	Increase from preceding forecast*	
			Amount	Ratio
Net sales	46.92	47.00	(0.08)	(0%)
Operating income	1.18	1.80	(0.62)	(34%)
% of net sales	2.5%	3.8%	—	—
Ordinary income	2.63	3.20	(0.57)	(18%)
% of net sales	5.6%	6.8%	—	—
Net income	0.86	2.30	(1.44)	(63%)
% of net sales	1.8%	4.9%	—	—

\*:We disclosed the amount on April 27 & July 30, 2007

Loss on valuation of shares : (¥0.46 billion)

Reduction in the deferred tax asset : (¥0.54 billion)

# Results of Operations (Consolidated Subsidiaries)



(Billions of Yen)

Internal sales among Sanyo Chemical Groups are not eliminated	Six months ended Sep.30, 2007: 1H-FY 2007	Six months ended Sep.30, 2006: 1H-FY 2006	Increase from the 1st half of the previous fiscal year	
			Amount	Ratio
Net sales	29.13	25.12	4.01	16%
Operating income	1.01	1.30	(0.29)	(22%)
% of net sales	3.5%	5.2%	—	—
Ordinary income	1.30	1.49	(0.19)	(13%)
% of net sales	4.5%	5.9%	—	—
Net income	0.75	0.85	(0.10)	(12%)
% of net sales	2.6%	3.4%	—	—

# Results of Operations ( SDP & SDN )



(Billions of Yen)

Internal sales among Sanyo Chemical Groups are not eliminated	Six months ended Sep.30, 2007: 1H-FY 2007	Six months ended Sep.30, 2006: 1H-FY 2006	Increase from the 1st half of the previous fiscal year	
			Amount	Ratio
Net sales	12.11	10.35	1.76	17%
Operating income	0.55	0.86	(0.31)	(36%)
% of net sales	4.5%	8.3%	—	—
Ordinary income	0.76	0.83	(0.07)	(8%)
% of net sales	6.3%	8.0%	—	—
Net income	0.51	0.55	(0.04)	(7%)
% of net sales	4.2%	5.3%	—	—

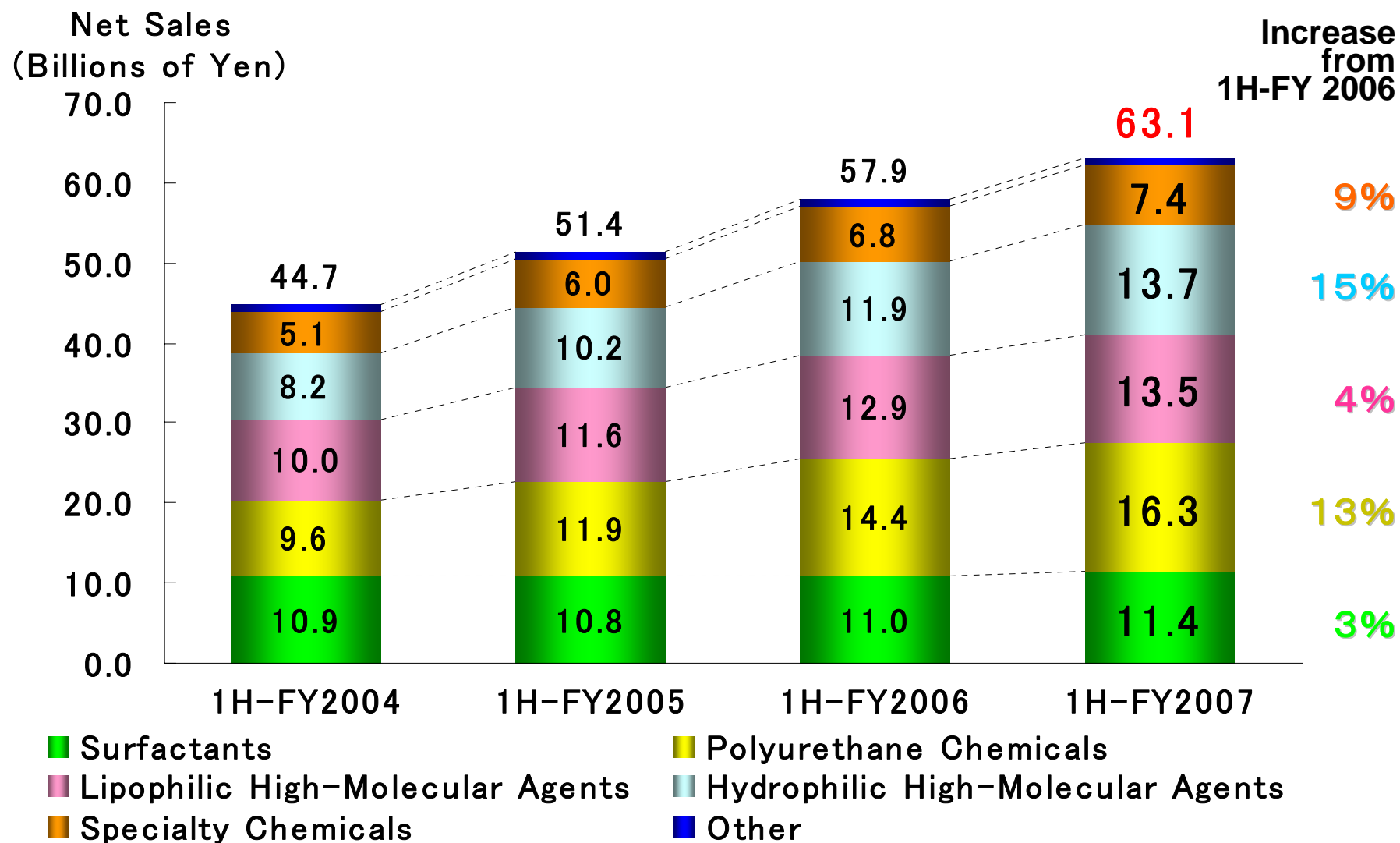
# Cash Flows



(Billions of Yen)

	1H-FY 2007	1H-FY 2006	FY 2006
Income before income taxes and minority interests	2.7	3.3	6.5
Depreciation and amortization	4.0	3.9	8.2
Decrease(increase) in inventories	(0.7)	(1.8)	(2.0)
Others	0.5	(0.8)	0.0
Income taxes paid	(1.1)	(1.9)	(3.4)
<b>Net cash provided by operating activities</b>	<b>5.4</b>	<b>2.7</b>	<b>9.3</b>
Time deposit	—	5.0	5.0
Payments for purchase of fixed assets	(4.7)	(7.7)	(13.0)
Payments for purchase of investments in securities	(1.8)	(1.5)	(2.9)
Others	0.0	0.2	0.3
<b>Net cash used in investing activities</b>	<b>(6.5)</b>	<b>(4.0)</b>	<b>(10.6)</b>
<b>Free cash flow</b>	<b>(1.1)</b>	<b>(1.3)</b>	<b>(1.3)</b>
Loan payable	0.6	3.4	3.8
Cash dividends paid	(1.2)	(1.2)	(2.0)
<b>Net cash used in financing activities</b>	<b>(0.6)</b>	<b>2.2</b>	<b>1.8</b>
<b>Cash and cash equivalents at end of the period</b>	<b>13.6</b>	<b>15.6</b>	<b>15.3</b>

# Net Sales Trend by Product Group



# Net Sales by Product Group



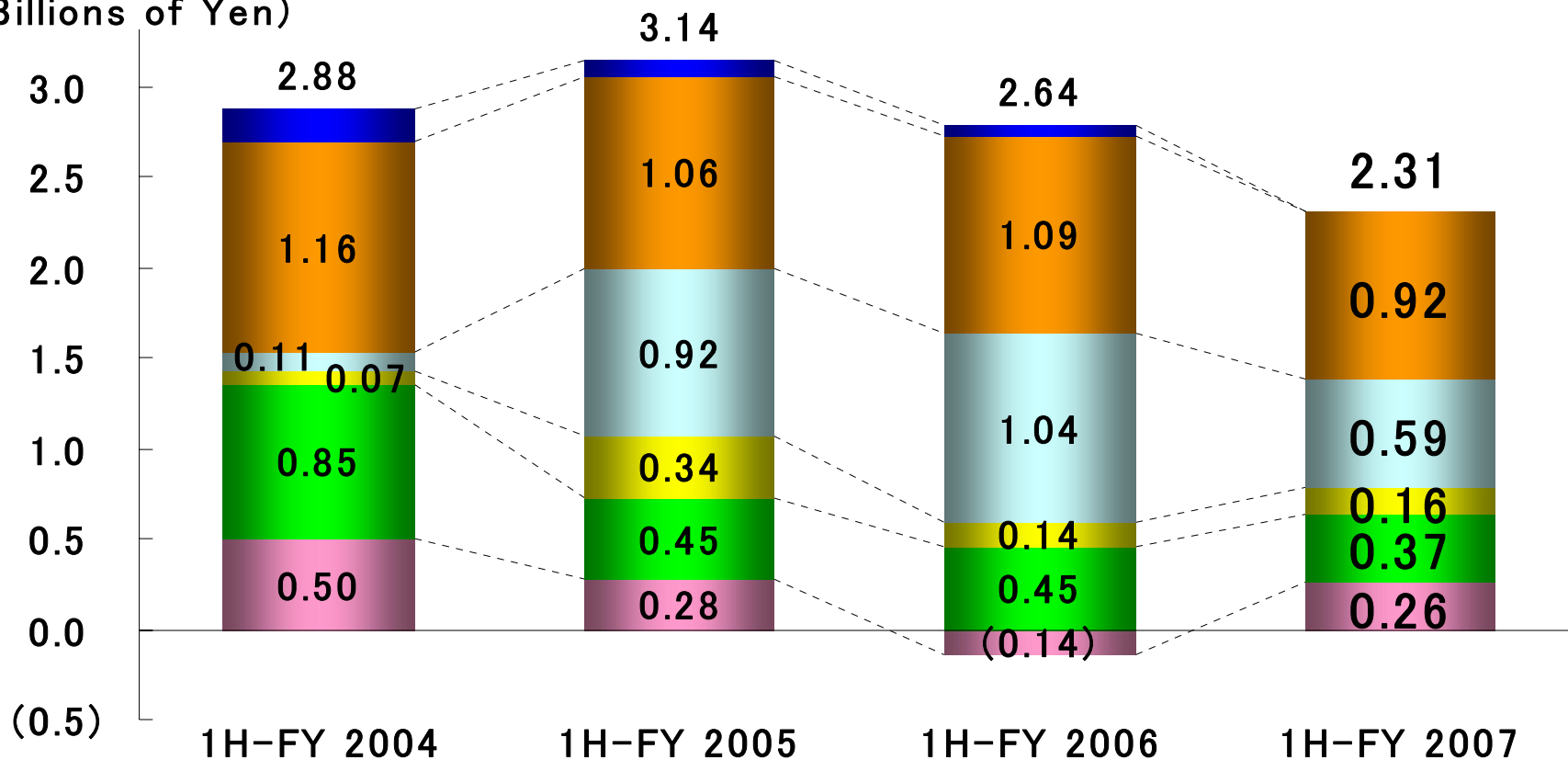
(Billions of Yen)

Product group	1H-FY 2007	1H-FY 2006	Year on year change	
			Amount	Ratio
<b>Surfactants</b>	<b>11.41</b>	<b>11.03</b>	<b>0.38</b>	<b>3%</b>
Industrial surfactants	9.37	8.93	0.44	5%
Surfactant for textile	2.04	2.10	(0.06)	(3%)
<b>Polyurethane chemicals</b>	<b>16.26</b>	<b>14.41</b>	<b>1.85</b>	<b>13%</b>
Raw materials for polyurethane foam	11.17	10.20	0.97	10%
Polyurethane resins	5.09	4.21	0.88	21%
<b>Lipophilic high-molecular agents</b>	<b>13.46</b>	<b>12.91</b>	<b>0.55</b>	<b>4%</b>
Copier-related products	6.78	6.49	0.29	4%
Lubricating oil & machine-related products	4.68	4.39	0.29	7%
Coating & adhesive-related products	2.00	2.03	(0.03)	(1%)
<b>Hydrophilic high-molecular agents</b>	<b>13.71</b>	<b>11.89</b>	<b>1.82</b>	<b>15%</b>
Superabsorbent polymers	12.24	10.55	1.69	16%
Water treatment products	1.47	1.34	0.13	10%
<b>Specialty products</b>	<b>7.35</b>	<b>6.76</b>	<b>0.59</b>	<b>9%</b>
Resin & polymer modifiers	2.96	2.68	0.28	10%
Electric/electronic-related products	2.47	2.26	0.21	9%
Others	1.92	1.82	0.10	5%
<b>Others</b>	<b>0.92</b>	<b>0.86</b>	<b>0.06</b>	<b>7%</b>
<b>Total</b>	<b>63.11</b>	<b>57.86</b>	<b>5.25</b>	<b>9%</b>

# Operating Income Trend by Product Group



Operating Income  
(Billions of Yen)



- Lipophilic High-Molecular Agents
- Polyurethane Chemicals
- Specialty Chemicals

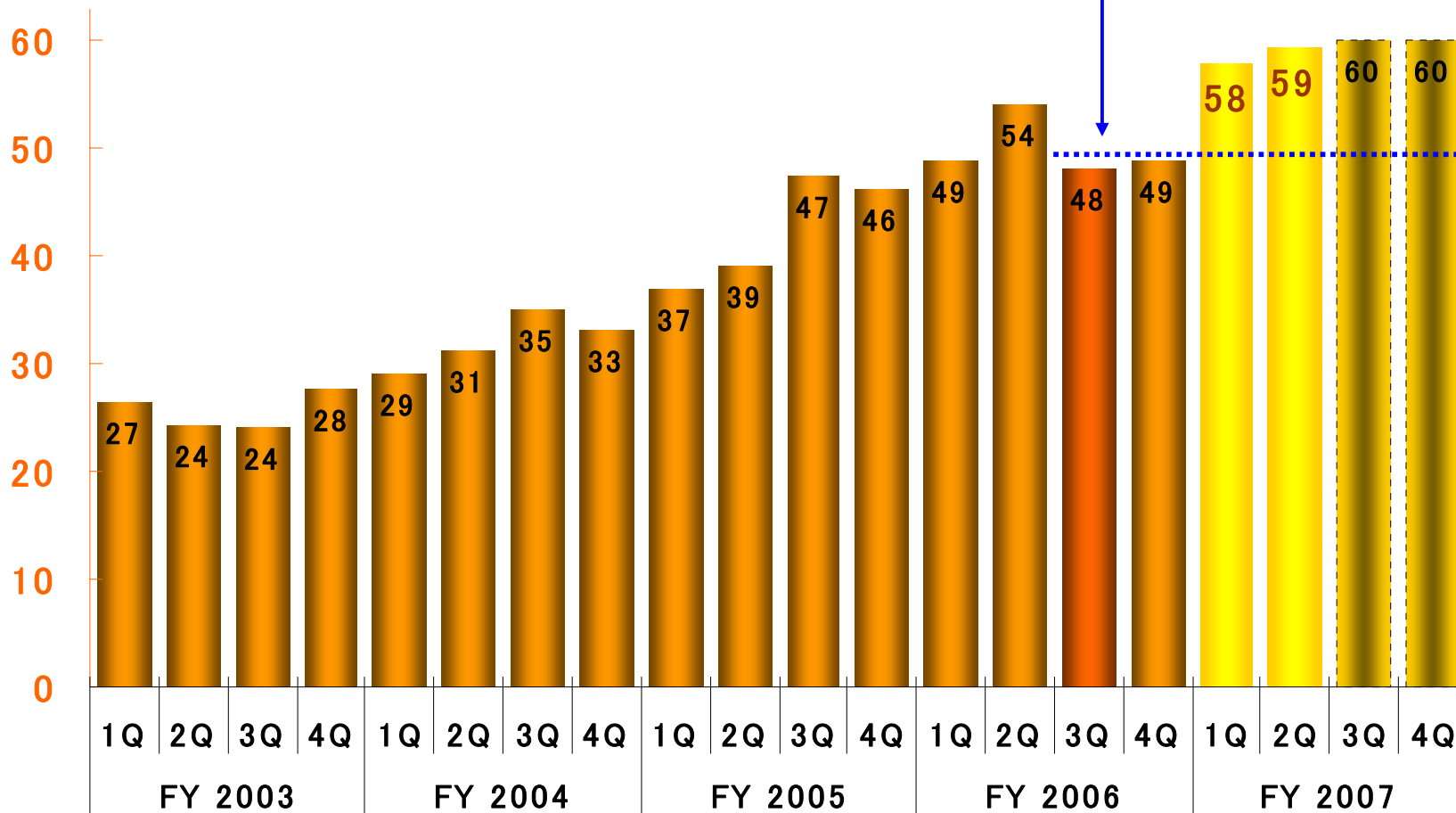
- Surfactants
- Hydrophilic High-Molecular Agents
- Other

# Domestic Naphtha Price ( Japan )



Thousands of Yen  
/ KL

Assumption Naphta Price  
¥50 thousand/KL



# Forecast for FY 2007



(Billions of Yen)

	Forecast of FY 2007		Preceding forecast*	Forecast of FY 2006		Year on year change	
	2nd half	Annual		2nd half	Annual	2nd half	Annual
	Net sales	71.89		135.00	130.00	64.53	122.40
Operating income	3.79	6.10	7.50	3.92	6.55	(3%)	(7%)
Ordinary income	4.11	7.00	8.50	4.71	8.02	(13%)	(13%)
Net income	2.43	3.20	4.50	1.35	3.05	80%	5%

\*:We disclosed the amount on April 27 & July 30, 2007

(Billions of Yen)

Analysis of changing operating income		for 1st half		Year on year			
		2nd half		2nd half		Annual	
Increase in volume		2.2		1.8		2.9	
Cost reduction, etc.		0.2		0.6		1.5	
Fixed costs		(0.5)		(0.3)		(0.8)	
Itemized buying & selling	Raised raw material costs	(1.2)	(0.4)	(3.6)	(2.2)	(6.1)	(4.0)
	Revised product prices	0.8		1.4		2.1	
Total		1.5		(0.1)		(0.4)	

# Forecast for FY 2007 (Non-Consolidated)



(Billions of Yen)

	Forecast of FY 2007			Forecast of FY 2006		Year on year change	
	2nd half	Annual	Preceding forecast*	2nd half	Annual	Year on year change	
						2nd half	Annual
Net sales	53.08	100.00	98.00	48.71	92.55	9%	8%
Operating income	2.72	3.90	4.20	2.30	3.46	18%	13%
Ordinary income	3.67	6.30	6.60	3.11	5.75	18%	10%
Net income	2.54	3.40	4.60	0.15	2.14	1593%	59%

\*:We disclosed the amount on April 27 & July 30, 2007

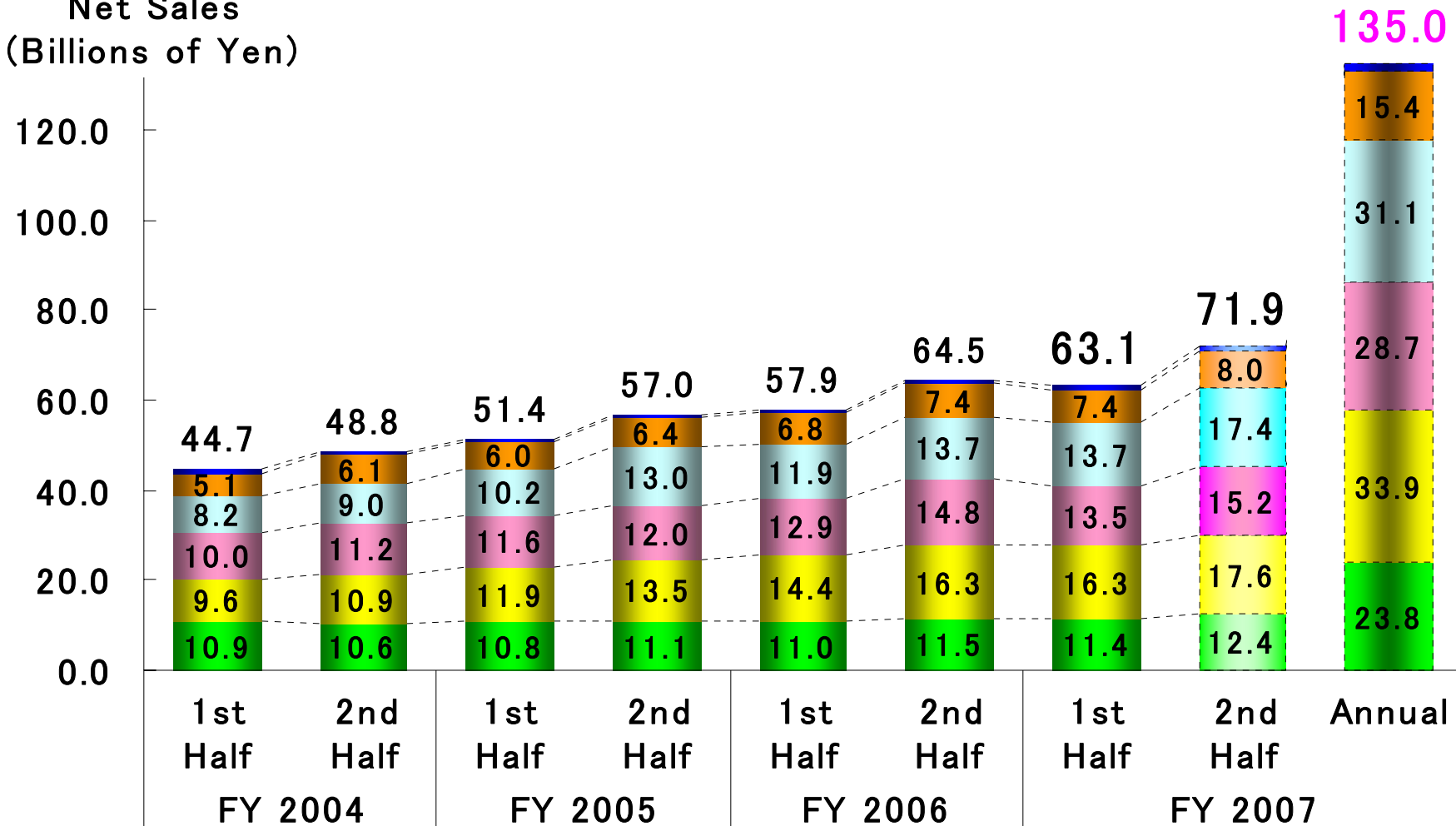
(Billions of Yen)

Analysis of changing operating income		for 1st half		Year on year			
		2nd half		2nd half		Annual	
Increase in volume		1.2		0.7		1.3	
Cost reduction, etc.		0.3		0.8		1.3	
Fixed costs		(2.0)		(4.0)		(5.0)	
Itemized buying & selling	Raised raw material costs	(0.8)	0.2	(2.7)	(0.7)	(4.7)	(1.7)
	Revised product prices	1.0		2.0		3.0	
Total		(0.3)		(3.2)		(4.1)	

# Net Sales Trend by Product Group



Net Sales  
(Billions of Yen)



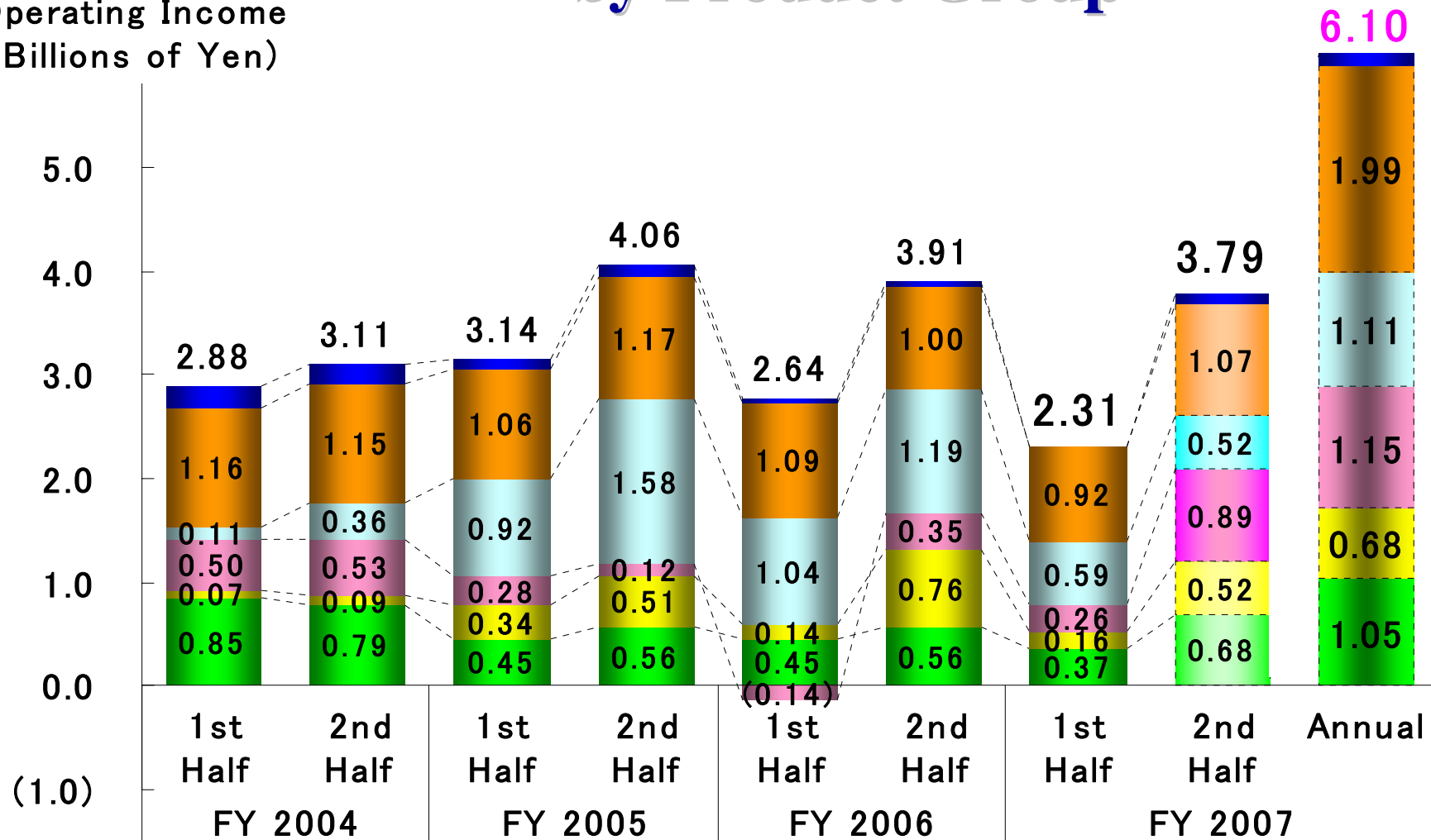
- Surfactants
- Lipophilic High-Molecular Agents
- Specialty Chemicals

- Polyurethane Chemicals
- Hydrophilic High-Molecular Agents
- Other

# Operating Income Trend by Product Group



Operating Income  
(Billions of Yen)



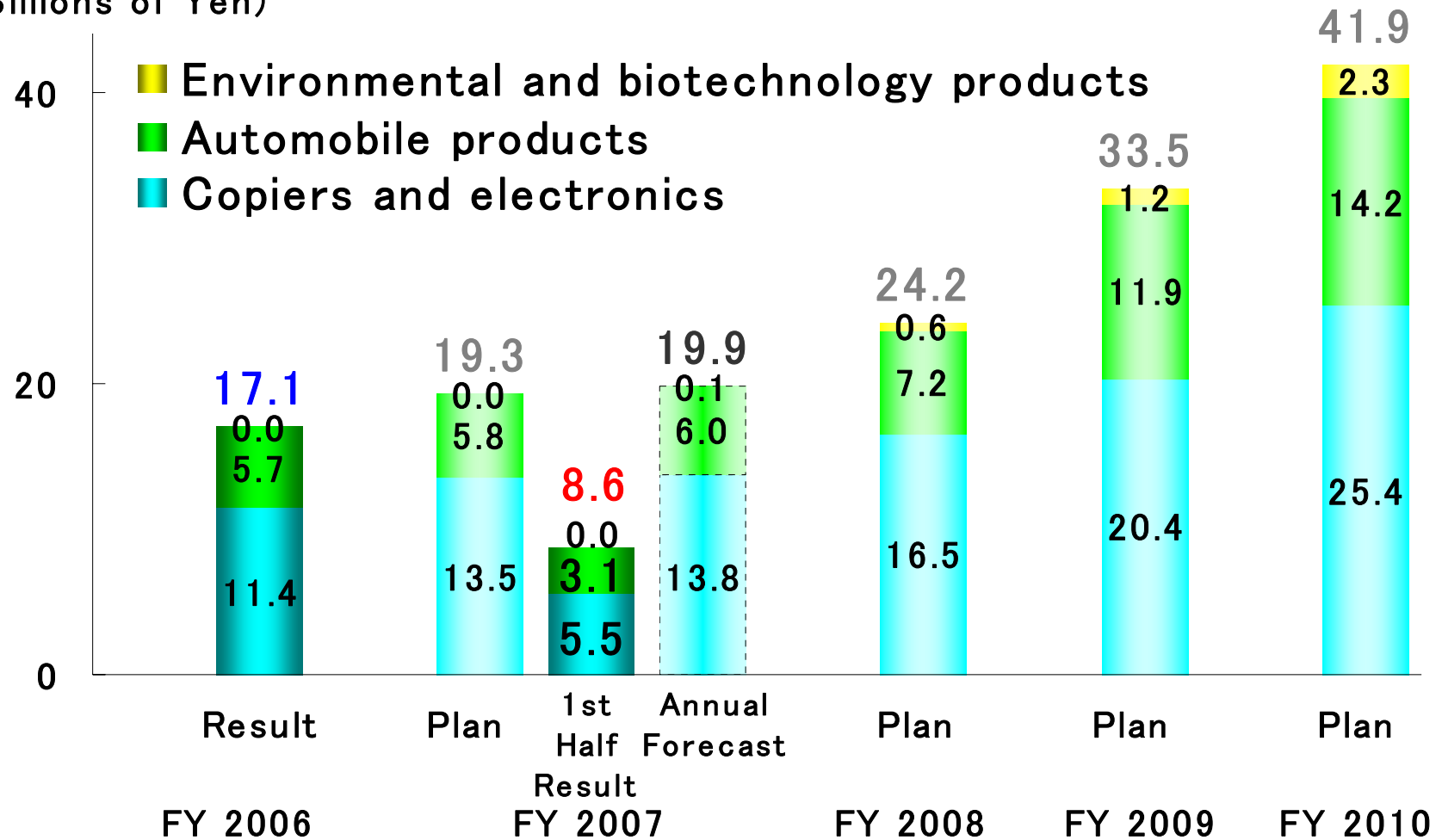
- Surfactants
- Lipophilic High-Molecular Agents
- Specialty Chemicals
- Polyurethane Chemicals
- Hydrophilic High-Molecular Agents
- Other

*Challenge 10*

# Strategic Products in focus fields

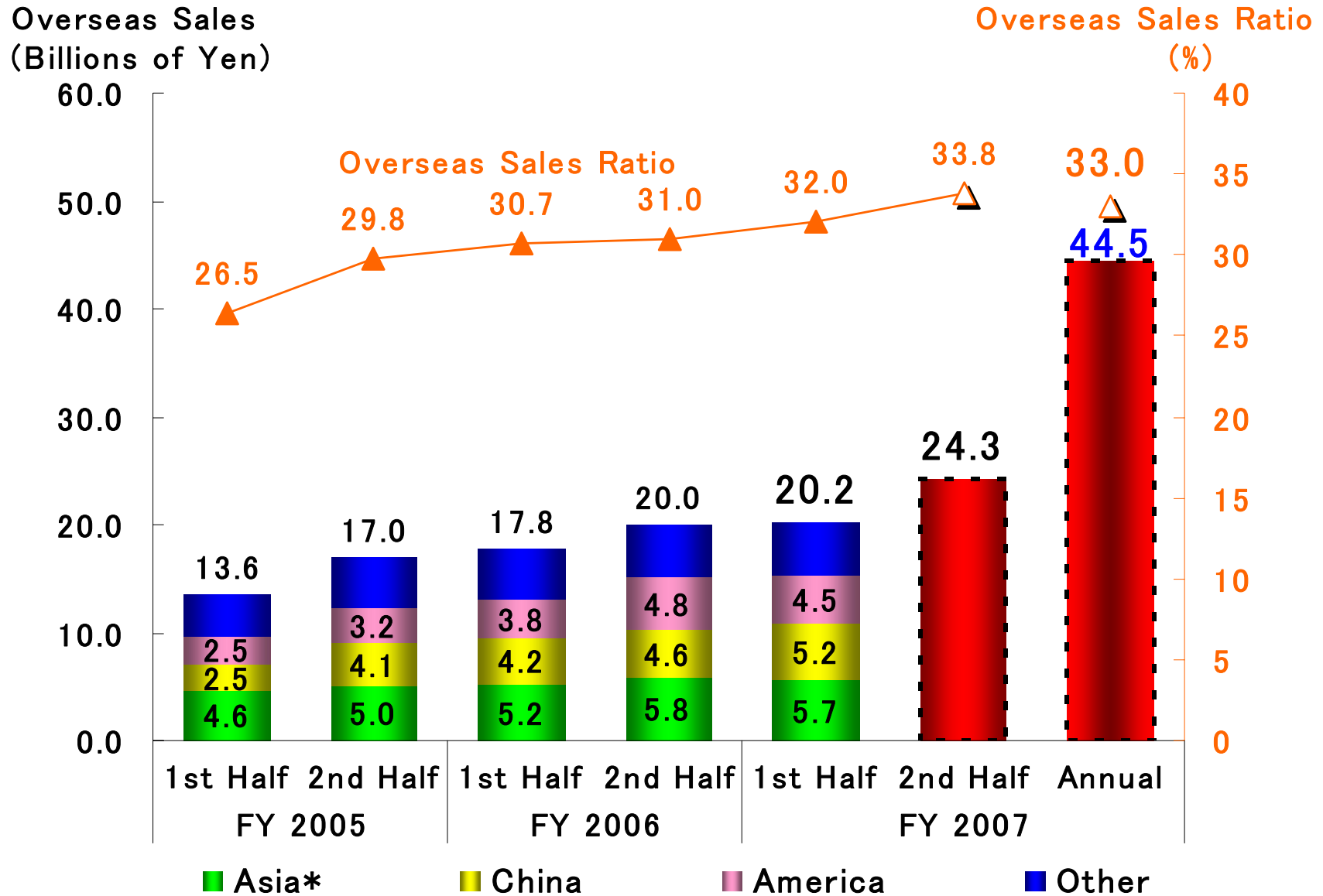


Net Sales  
(Billions of Yen)



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# Result of Overseas Sales



*Challenge 10*

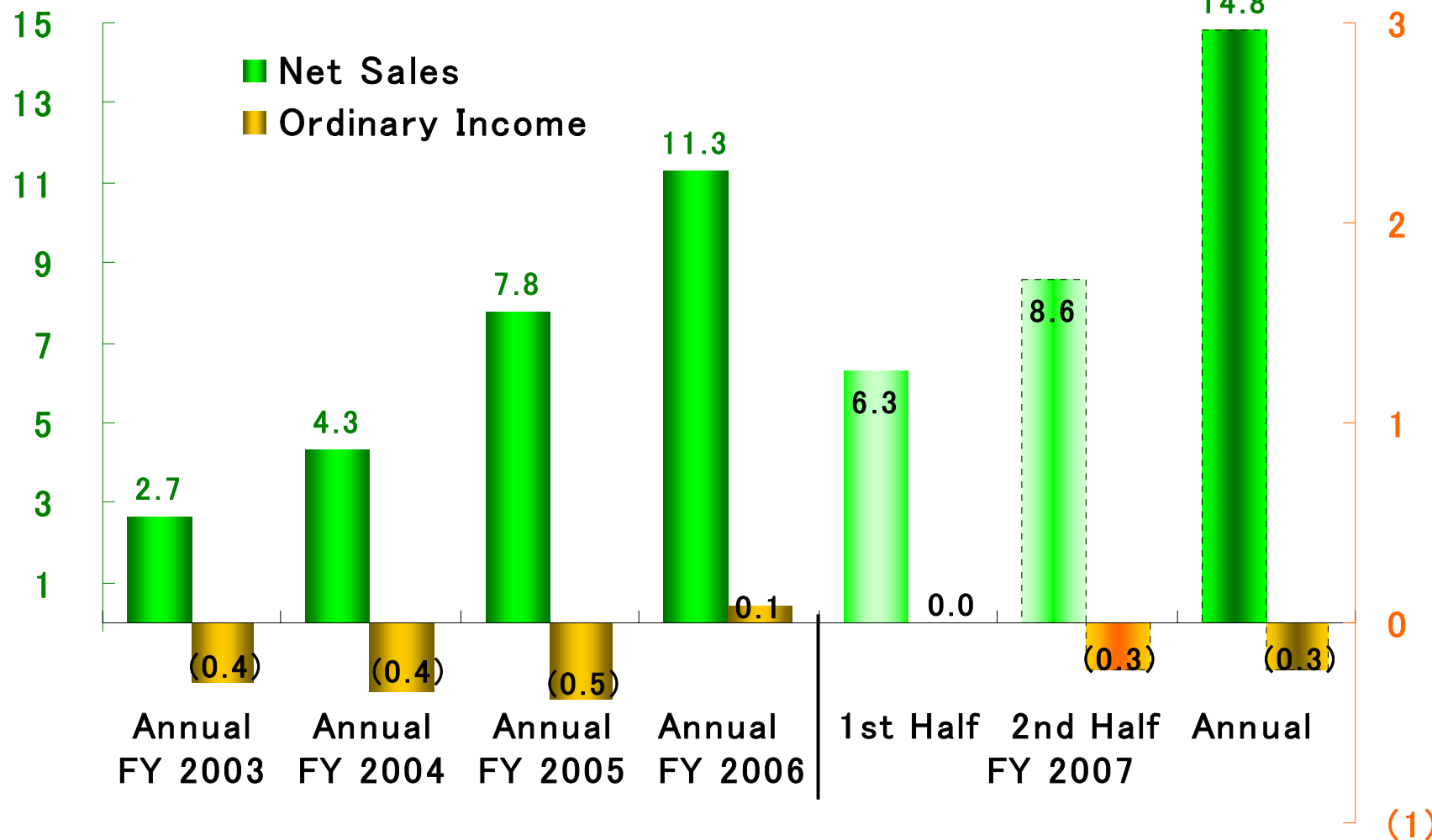
\* : Asia is not include Chinese Sales

# Result of Overseas Consolidated Subsidiaries



Net Sales  
(Billions of Yen)

Ordinary Income  
(Billions of Yen)



Internal sales among Sanyo Chemical Groups are not eliminated

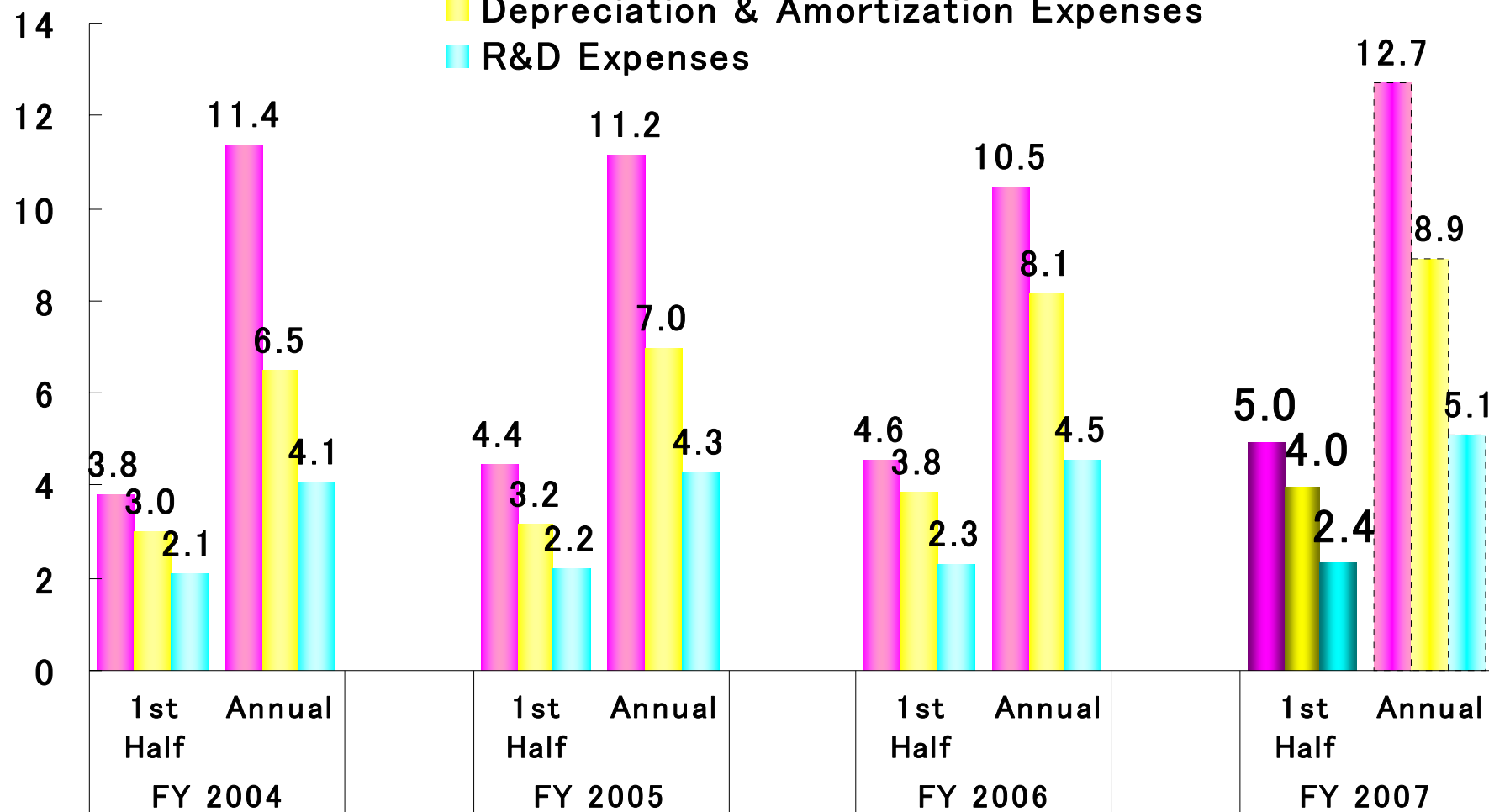
*Challenge 10*

# Capital investment, Depreciation & Amortization Expenses, and R&D Expenses



Billions of Yen

- Capital investment
- Depreciation & Amortization Expenses
- R&D Expenses



# Main Capital investment

- Setting up SCTI

1st Half Result  
: ¥0.32 Billion

- Building more SAP plant at SDN

1st Half Result  
: ¥0.98 Billion

- Setting up Katsura Laboratory

1st Half Result  
: ¥0.47 Billion

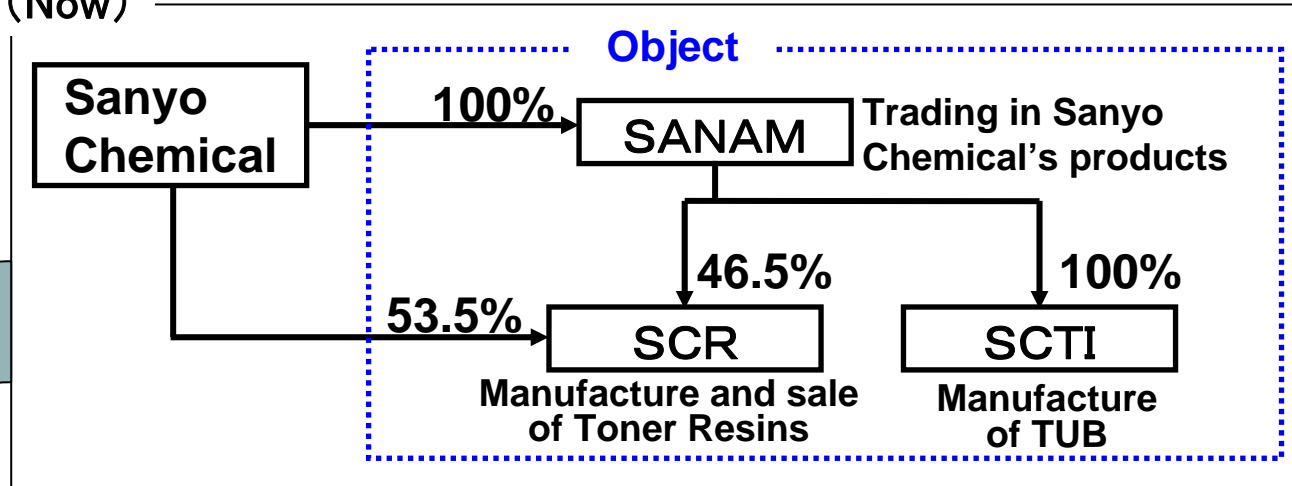


# Reorganization of USA Subsidiaries & Affiliate

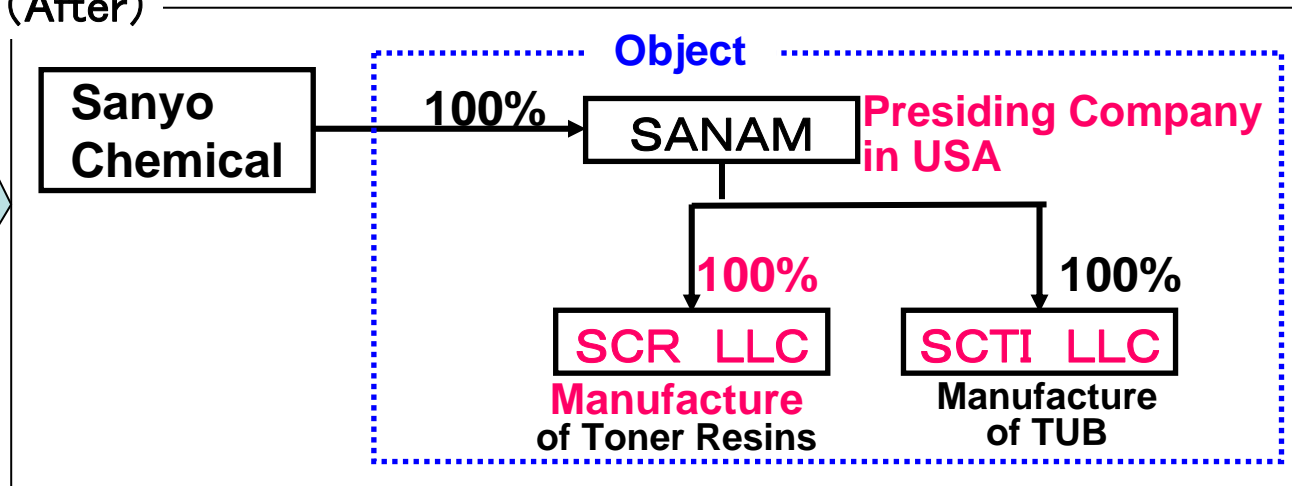


We reorganize for efficient conduct

(Now)

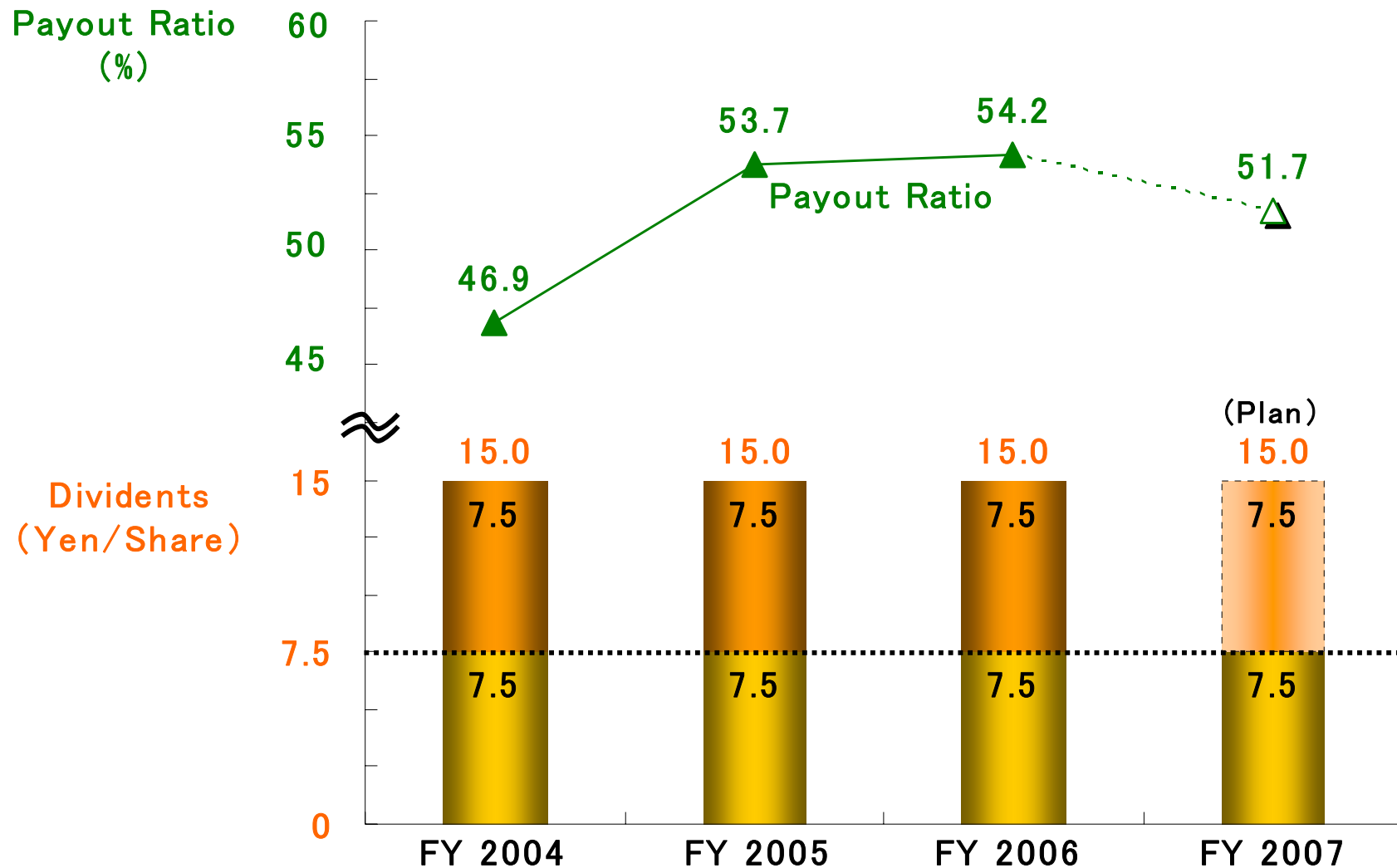


(After)



*Challenge 10*

# Dividends Per Share & Payout Ratio



End

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