

**A Statement of Accounts**  
**For the Six Months Ended September 30, 2012**  
**1st Half Fiscal Year 2012**  
**(1H-FY2012)**

**SANYO CHEMICAL INDUSTRIES, LTD.**

**Takao Ando, President**

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

Code: 4471



### <Notice>

Yen amounts described in this presentation material are rounded down.  
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 November 15, 2012. 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

Capital: ¥13,051 million

Major Shareholders as of September 30, 2012:

Toyota Tsusho Corporation (18.2%)

Toray Industries, Inc. (16.3%)

Nippon Shokubai Co., Ltd. (4.7%)

JX Holdings, Inc. (4.5%)

(Treasury stock of 7,378,105 shares are excluded from the above)

Domestic Sales & Marketing Offices:

Tokyo, Osaka, Nagoya, Hiroshima, Fukuoka, Toyama

Domestic Factories:

Nagoya, Kinuura, Kashima, Kyoto, Kawasaki (San Chemical)

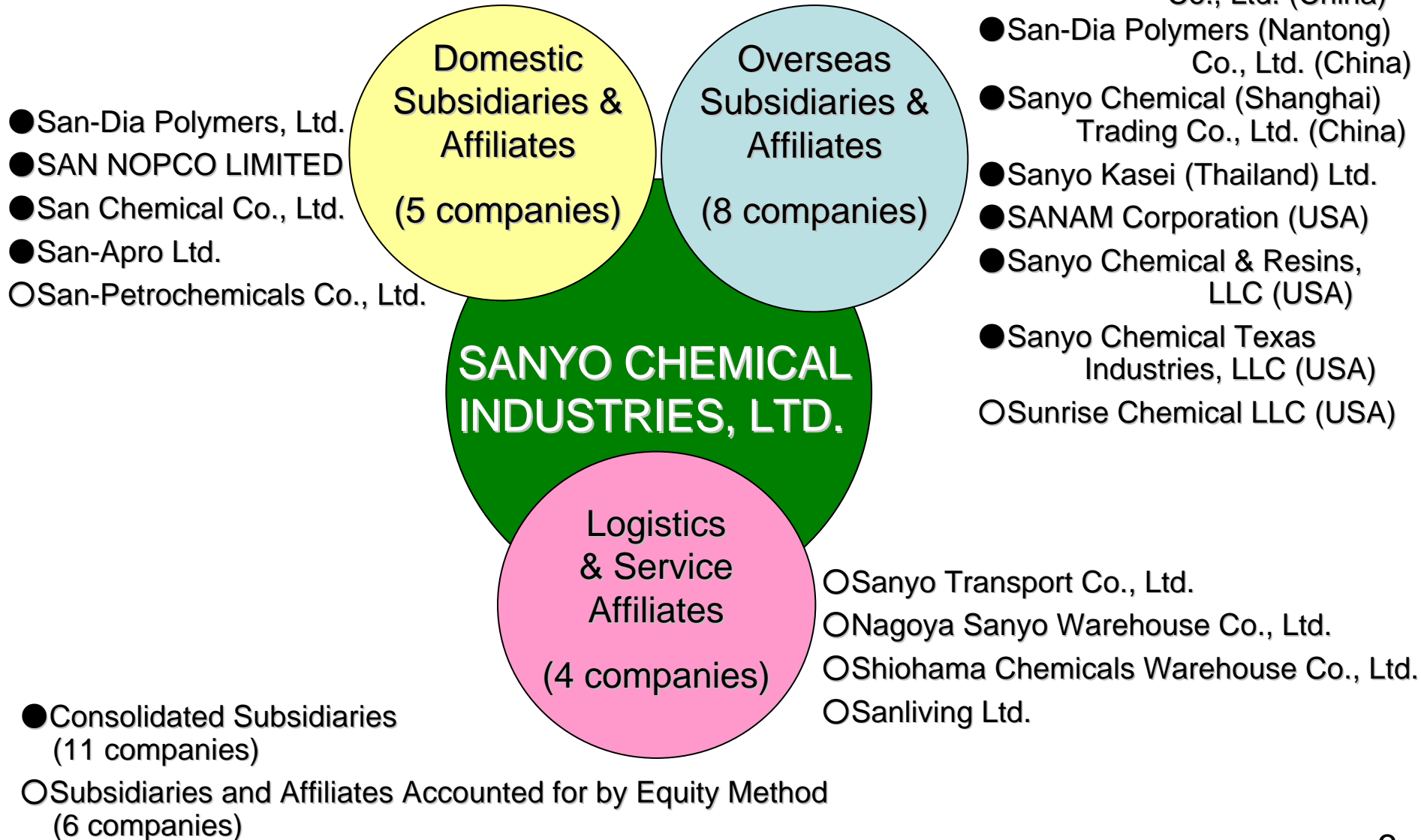
Consolidated Number of Employees:

1,835 (as of September 30, 2012)

Line of Business:

Manufacture & sales of approx. 3,000 types of performance chemicals

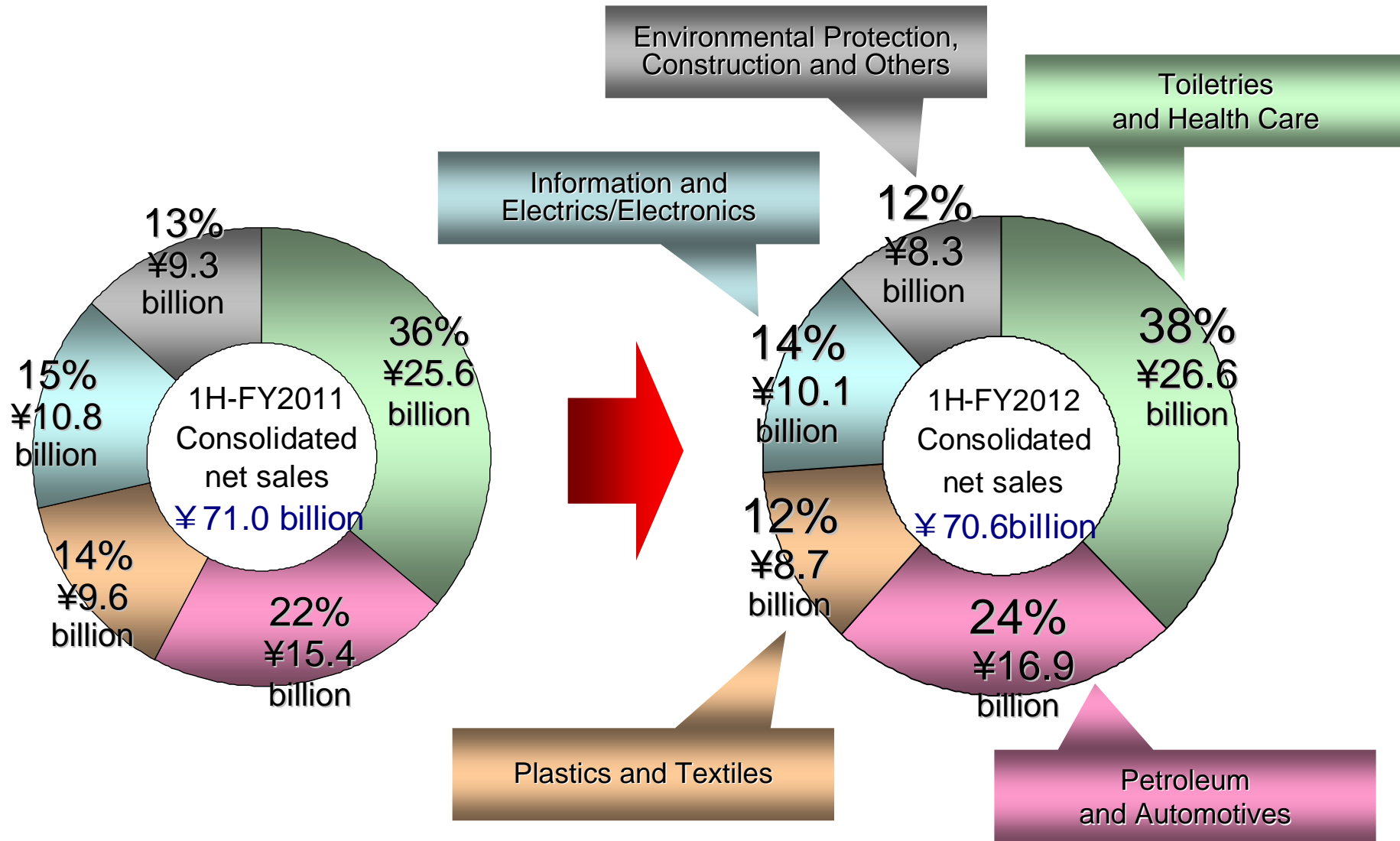
# Sanyo Chemical Group



# Principal Products by Product Group

Class.	Sub-Category	Principal Products
Toiletries and Health Care	Toiletries	Surfactants for Detergents, Surfactants for Hair Care Products, Agents for Papermaking
	Health Care	Superabsorbent Polymers (SAPs), Base Materials for Pharmaceuticals, Germicides/Disinfectants, Surgical Hemostatic Sealants, EIA Diagnostic Reagents, Potting Resins for Artificial Kidneys
Petroleum and Automotives		Thermoplastic Polyurethane Beads for the Interior Parts of Automobiles (TUBs), Raw Materials for Polyurethane Foams (PPG), Lubricating Oil Additives, Additives for Fuel Oils, Water-Soluble Cutting Fluids, Halogen-Free Cleaning Agents, Base Materials for Synthetic Lubricants, Paste Resins for Design Models, Resins for Automobile Paints
Plastics and Textiles	Plastics	Permanent Antistatic Agents, Pigment Dispersants, Resin Modifiers, Base Materials for Polyurethane Elastomers, Paint Resins, Chemical Boards for Models
	Textiles	Agents for Textile Manufacturing, Chemicals for Carbon Fibers, Agents for Fiberglass, Polyurethane Resins for Synthetic Leather
Information and Electrics /Electronics	Information	Polyester Beads (PEBs) Used as a Core Component of Polymerization Toners, Toner Resins
	Electrics /Electronics	Electrolytes for Aluminum Electrolytic Capacitors, Electrolytes for Electric Double-Layer Capacitors, Agents for Use in Hard Disk Manufacturing, UV/EB Curing Resins, Silicon wafer processing agents
Environmental Protection, Construction and Others		Polymer Flocculants for Wastewater Treatment, Polyurethane for Heat Insulating Materials (PPG), Slurry Agents, Reactive Hot-Melt Adhesives

# Net Sales by Product Group



# Results of Operations for 1H in FY2012

(Billions of yen)

Consolidated	1H: April-September		Year on Year Change	
	FY2012	FY2011	Amount	Ratio (%)
Net sales	70.68	71.03	(0.35)	(0)
Operating income	2.98	3.37	(0.38)	(12)
Ordinary income	3.45	4.19	(0.73)	(18)
Net income	1.91	2.46	(0.55)	(23)
Comprehensive income	0.61	2.01	(1.40)	(70)

(Billions of yen)

Unconsolidated	1H: April-September		Year on Year Change	
	FY2012	FY2011	Amount	Ratio (%)
Net sales	47.54	49.66	(2.12)	(4)
Operating income	1.52	1.19	0.33	28
Ordinary income	3.00	2.50	0.50	20
Net income	2.15	1.77	0.38	21

# Results of Operations for 1H in FY2012

Internal sales among Sanyo Chemical Group are not eliminated.

## Consolidated Subsidiaries (11 companies)

(Billions of yen)

	1H: April-September		Year on Year Change	
	FY2012	FY2011	Amount	Ratio (%)
Net sales	36.35	36.13	0.22	1
Operating income	1.21	1.92	(0.71)	(37)
Ordinary income	1.55	2.37	(0.81)	(34)

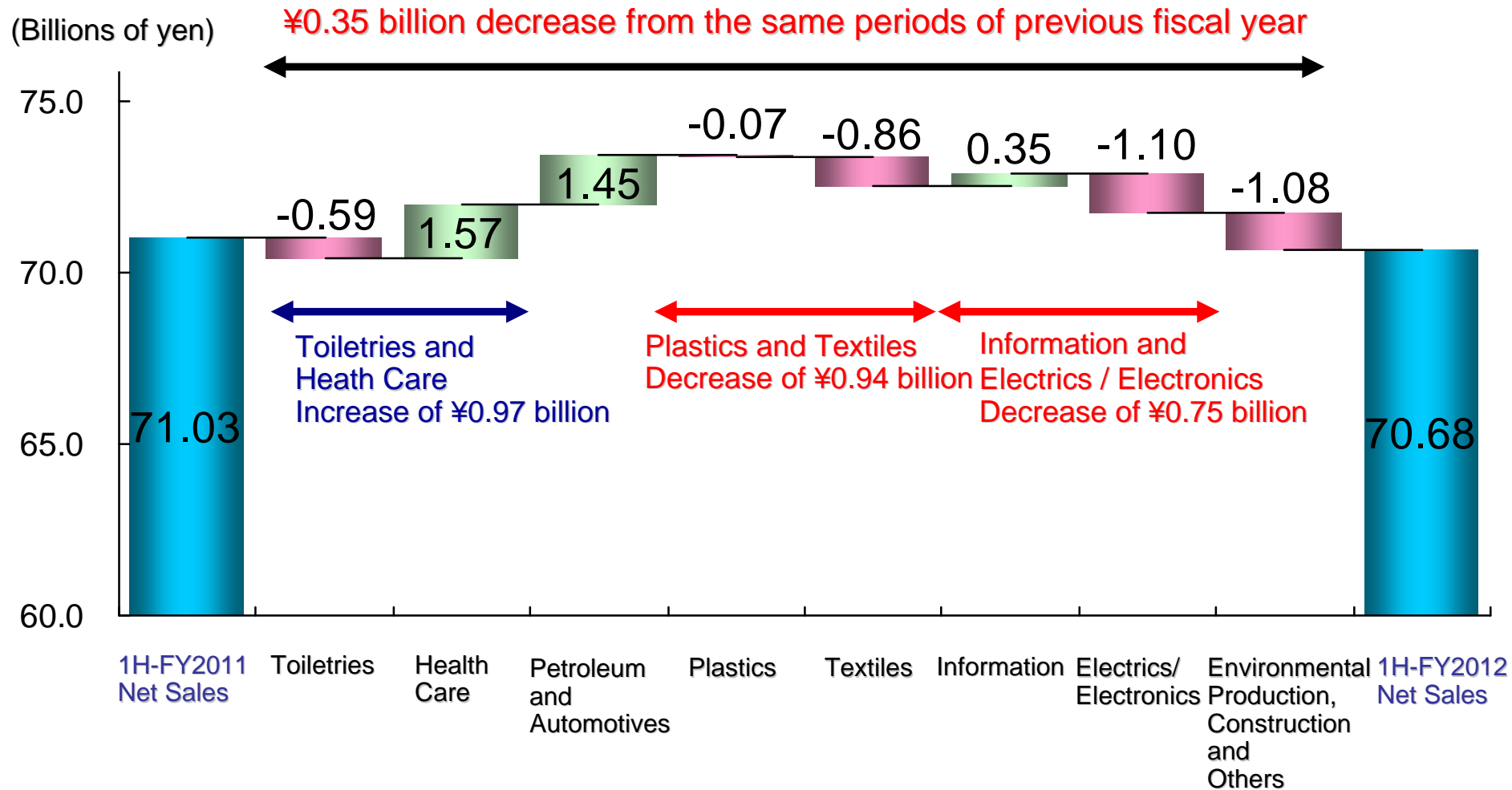
## Of which, SDP Group (SDP and SDN)

(Billions of yen)

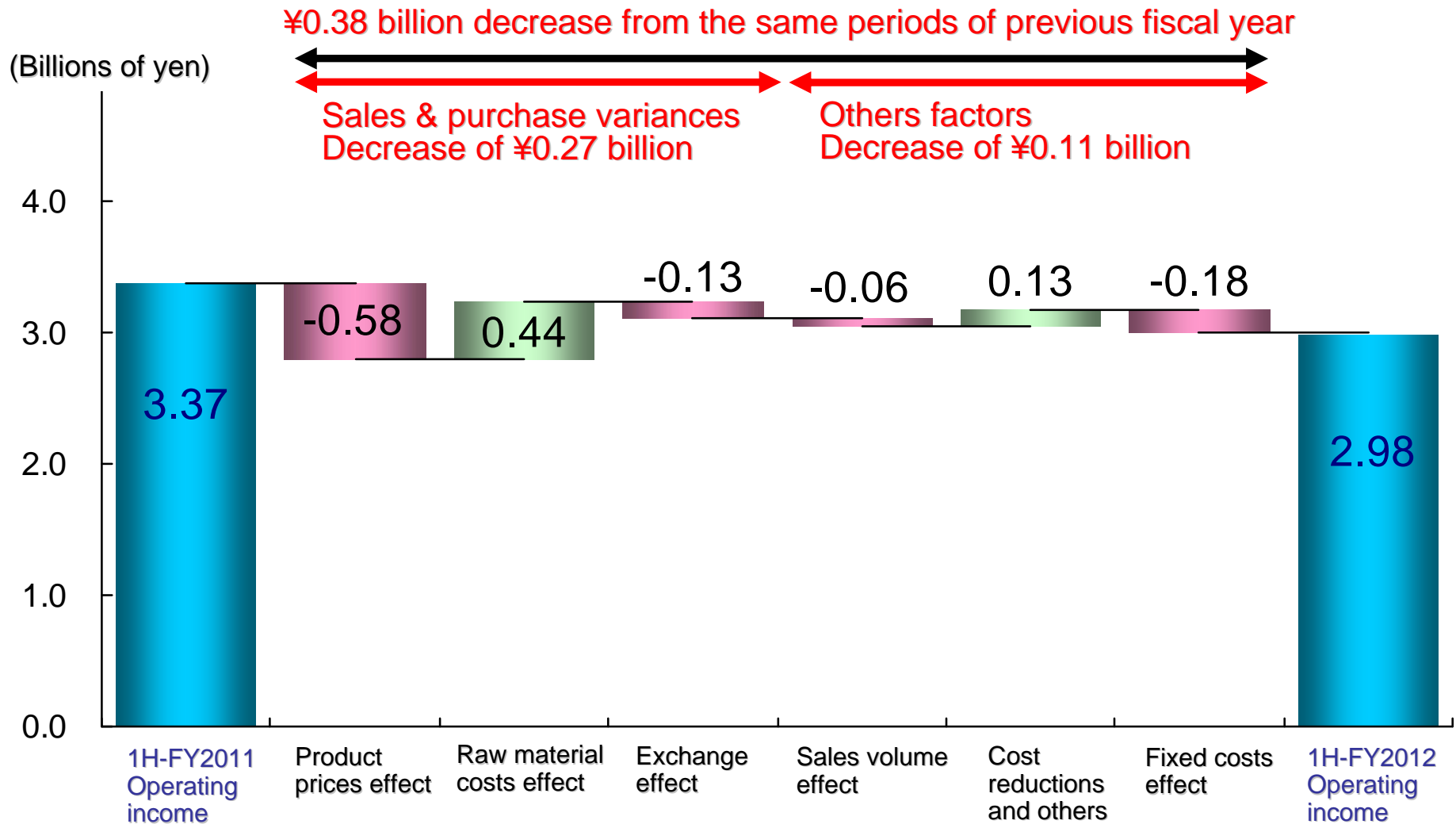
	1H: April-September		Year on Year Change	
	FY2012	FY2011	Amount	Ratio (%)
Net sales	18.28	16.68	1.60	10
Operating income	0.47	1.03	(0.55)	(54)
Ordinary income	0.65	1.07	(0.41)	(38)



# Change in Consolidated Net Sales by Product Group



# Change in Consolidated Operating Income by Factor



# Change in Consolidated Net Income by Factor

(Billions of yen)

	1H:April-September		Year on Year Change
	FY2012	FY2011	
Operating income	2.98	3.37	(0.38)
Equity in earnings of unconsolidated subsidiaries and affiliates	0.30	0.58	(0.27)
Gain or loss on foreign exchange	(0.05)	(0.09)	0.03
Other non-operating profit and loss	0.21	0.32	(0.10)
Ordinary income	3.45	4.19	(0.73)
Gain and Loss on disposal/sales of property, plant and equipment	(0.31)	(0.15)	(0.15)
Other extraordinary income or loss	0.08	0.21	(0.12)
Income before income taxes and minority interests	3.23	4.24	(1.01)
Income taxes paid, etc.	(1.11)	(1.27)	0.16
Minority interests	(0.20)	(0.49)	0.28
Net income	1.91	2.46	(0.55)

(Billions of yen)

# Consolidated Balance Sheet

	Sept. 30 2012	Mar. 31 2012	Changed amount	Main Change Factor*
Current assets	74.0	70.8	3.1	Cash and deposits: 1.4, Notes and accounts receivable-trade: (0.3), Inventories: 1.7
Fixed assets	76.9	78.3	(1.3)	Property, plant & equipment: 1.0, Investment securities: (2.3)
<b>Assets</b>	<b>150.9</b>	<b>149.1</b>	<b>1.7</b>	
Current liabilities	49.6	46.8	2.8	Notes and accounts payable-trade: 1.2, Short-term loans: 1.3
Long-term liabilities	11.3	11.8	(0.4)	Long-term debt: 0.3, Provision for retirement benefits: (0.3), Deferred tax liabilities: (0.3)
<b>Liabilities</b>	<b>61.0</b>	<b>58.6</b>	<b>2.4</b>	
Shareholder's equity	85.2	84.1	1.0	Net income: 1.9, Cash dividends paid: (0.8)
Other comprehensive income	1.5	3.1	(1.5)	Unrealized gains on other securities: (1.6), Foreign currency translation adjustment: 0.1
Minority interests	3.0	3.2	(0.1)	
<b>Net assets</b>	<b>89.8</b>	<b>90.5</b>	<b>(0.6)</b>	
<b>Total Liabilities and net assets</b>	<b>150.9</b>	<b>149.1</b>	<b>1.7</b>	

\* Each figure indicates the changed amount.

# Consolidated Cash Flows

(Billions of yen)

	1H:April-September		Changed amount	Main Change Factor*
	FY2012	FY2011		
Operating activities	7.2	3.6	3.5	
Income before income taxes and minority interests	3.2	4.2	(1.0)	
Depreciation and amortization	4.3	4.3	(0.0)	
Equity in earning of unconsolidated subsidiaries and affiliates	(0.3)	(0.5)	0.2	
(Increase) decrease in operating capital	(0.1)	(2.1)	2.0	Notes and accounts receivable-trade: 2.9, Inventories: 0.8, Notes and accounts payable: (1.6)
Income taxes	(0.1)	(1.7)	1.6	
Others	0.3	(0.4)	0.7	
Investing activities	(6.0)	(5.4)	(0.6)	
Free cash flows	1.2	(1.7)	2.9	
Financing activities	0.3	(1.1)	1.5	(1H in FY2012) Loans: 5.1, Repayment: (3.5), Cash dividends paid: (0.8)
Increase (decrease) in cash and cash equivalents	1.4	(3.0)	4.5	
Cash and cash equivalents at beginning of period	9.3	12.0	(2.6)	
Cash and cash equivalents at end of period	10.8	8.9	1.8	

\* Each figure indicates the changed amount.

# Forecast for FY2012

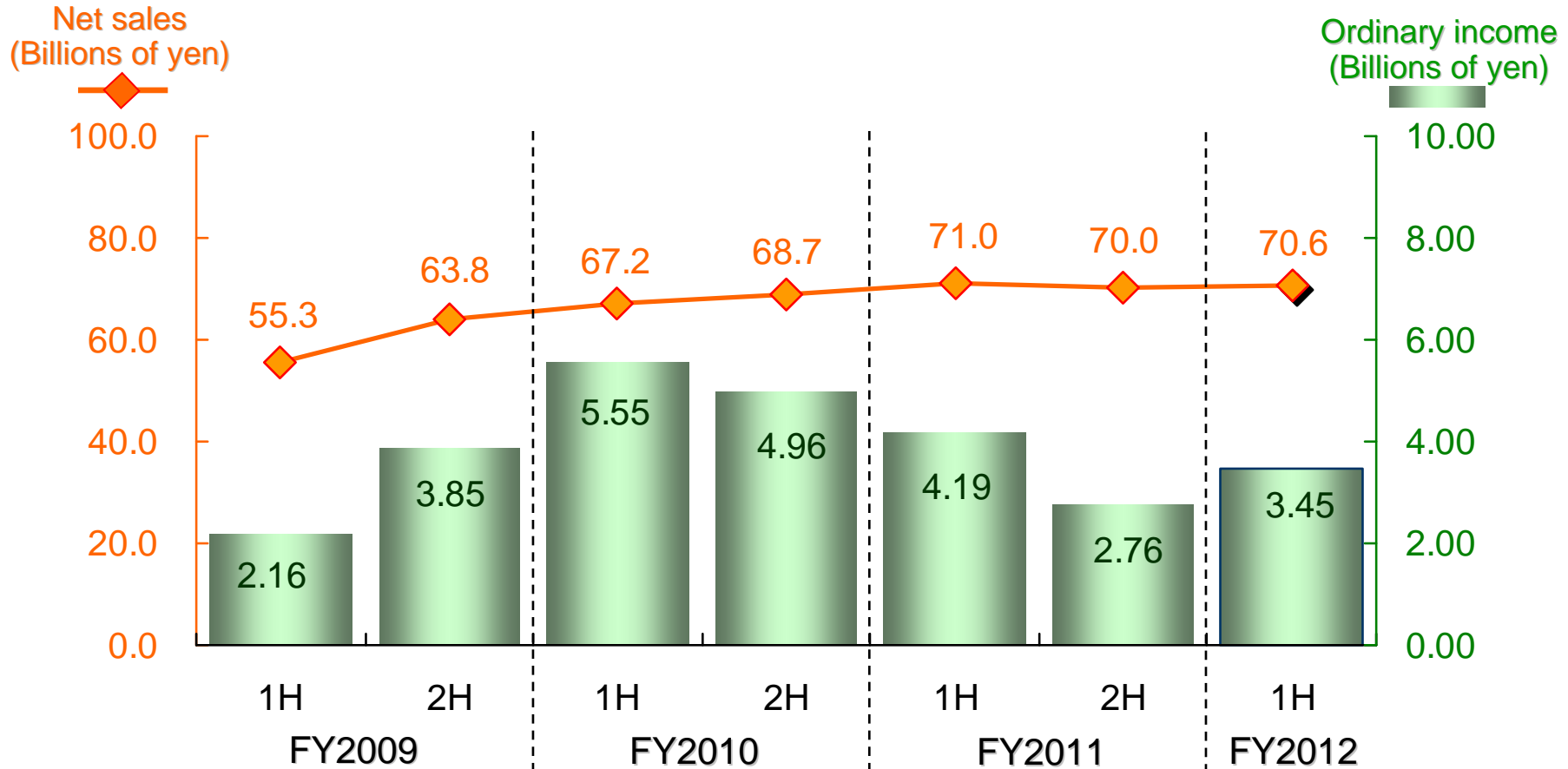
(Billions of Yen)

Consolidated	FY2012 Annual	1H-FY2012		FY2011 Annual
	Forecast	Result	Progress to Forecast(%)	Result
Net sales	153.00	70.68	46	141.04
Operating income	8.30	2.98	36	5.76
Ordinary income	9.00	3.45	38	6.95
Net income	5.30	1.91	36	3.70

(Billions of Yen)

Unconsolidated	FY2012 Annual	1H-FY2012		FY2011 Annual
	Forecast	Result	Progress to Forecast(%)	Result
Net sales	103.00	47.54	46	98.05
Operating income	4.10	1.52	37	2.27
Ordinary income	6.50	3.00	46	5.17
Net income	4.70	2.15	46	3.53

# Consolidated Business Result Trend

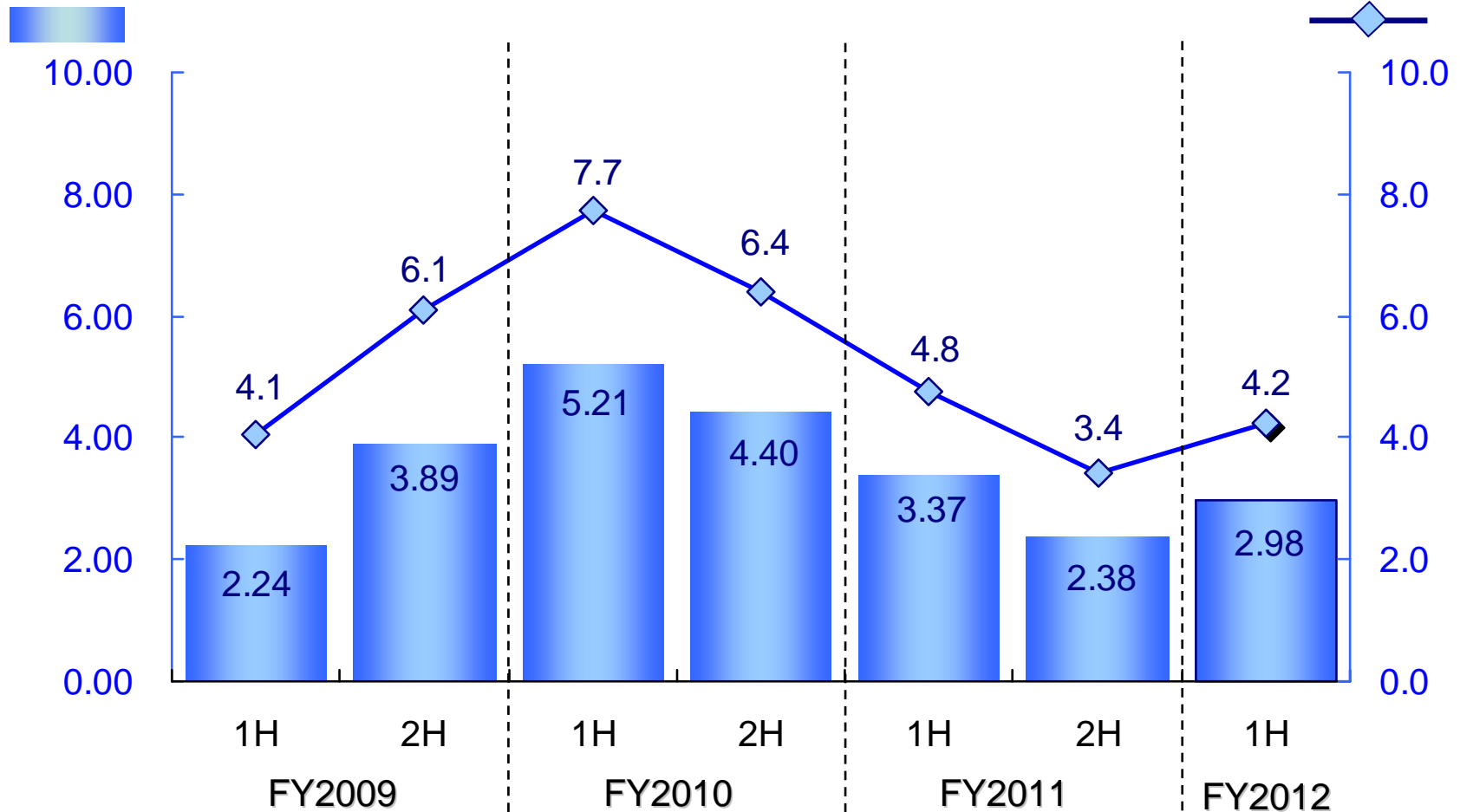


• Although there were positive effects from increased production of in-demand superabsorbent polymers and lubricating oil additives for fuel-saving engine oils, demand for other products decreased due to the global economic recession. As a result, net sales decreased from the same period of the previous fiscal year  
 • In terms of profit, although there were the positive effects from increased production of lubricating oil additives for fuel-saving engine oils and the recovery in the business of polyester beads used as a core component of polymerization toners, Sanyo Chemical Group recorded decreases from the same period of the previous fiscal year, due to continuing appreciation of the yen, an increase in fixed costs for superabsorbent polymers, the decline in product prices of superabsorbent polymers due to intensifying competition, and other factors

# Consolidated Operating Income Trend

Operating income  
(Billions of yen)

Operating income  
ratio (%)





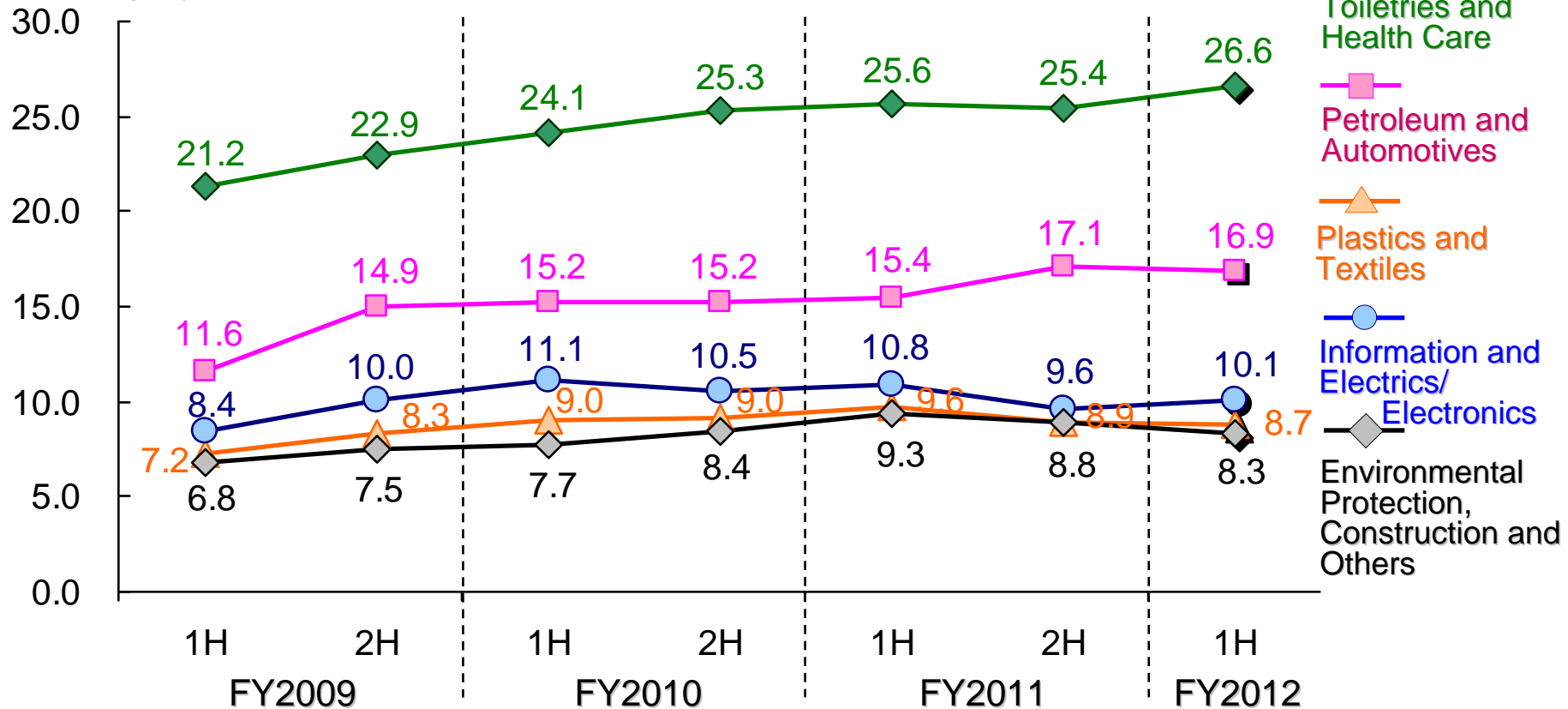
# Consolidated Net Sales by Product Group

(Billions of yen)

Product Group	1H:April-September		Year on Year Change	
	FY2012	FY2011	Amount	Ratio (%)
<b>Toiletries and Health Care</b>	<b>26.60</b>	<b>25.62</b>	<b>0.97</b>	<b>4</b>
Toiletries	6.89	7.48	(0.59)	(8)
Health Care	19.71	18.14	1.57	9
<b>Petroleum and Automotives</b>	<b>16.91</b>	<b>15.45</b>	<b>1.45</b>	<b>9</b>
<b>Plastics and Textiles</b>	<b>8.75</b>	<b>9.69</b>	<b>(0.94)</b>	<b>(10)</b>
Plastics	5.47	5.55	(0.07)	(1)
Textiles	3.28	4.14	(0.86)	(21)
<b>Information and Electrics/Electronics</b>	<b>10.10</b>	<b>10.85</b>	<b>(0.75)</b>	<b>(7)</b>
Information	7.65	7.30	0.35	5
Electrics/Electronics	2.44	3.55	(1.10)	(31)
<b>Environmental Protection, Construction and Others</b>	<b>8.30</b>	<b>9.38</b>	<b>(1.08)</b>	<b>(12)</b>
<b>Total</b>	<b>70.68</b>	<b>71.03</b>	<b>(0.35)</b>	<b>(0)</b>

# Consolidated Net Sales Trend by Product Group

(Billions of yen)



Toiletries and Health Care	: The positive effects from increased production of in-demand superabsorbent polymers in China
Petroleum and Automotives	: Demand for lubricating oil additives for fuel-saving engine oils is brisk
Plastics and Textiles	: Demand has stagnated for permanent antistatic agents, agents for fiberglass aimed at the overseas market, and other products
Information and Electrics / Electronics	: Although the business of polyester beads used as a core component of polymerization toners has recovered, demand for electrolytes for aluminum electrolytic capacitors and silicon wafer processing agents continues to be stagnant
Environmental Protection, Construction and Others	: For some products the consignment production on behalf of quake-hit manufacturers has finished

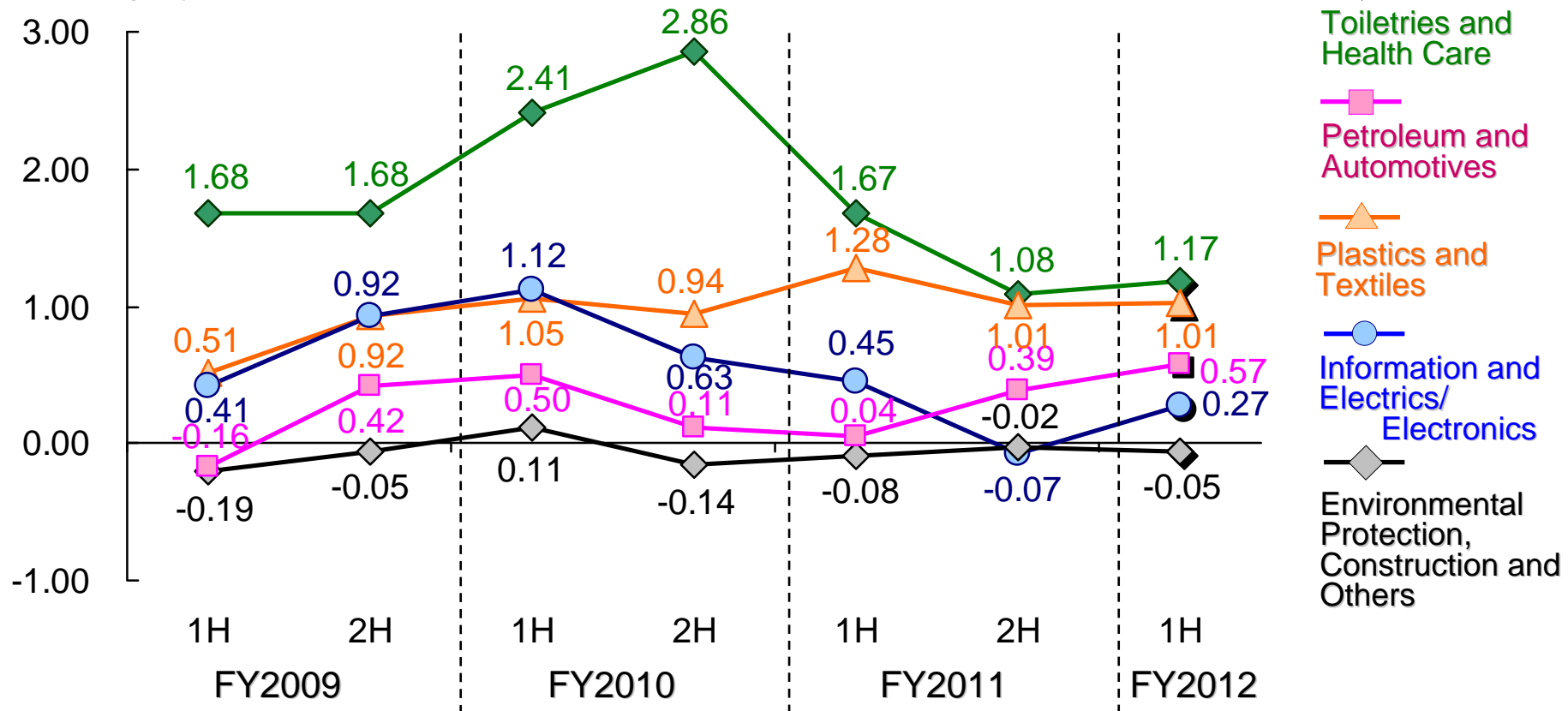
# Consolidated Operating Income by Product Group

(Billions of yen)

Product Group	1H:April-September		Year on Year Change	
	FY2012	FY2011	Amount	Ratio (%)
Toiletries and Health Care	1.17	1.67	(0.50)	(30)
Petroleum and Automotives	0.57	0.04	0.53	13 times
Plastics and Textiles	1.01	1.28	(0.26)	(21)
Information and Electrics/Electronics	0.27	0.45	(0.18)	(40)
Environmental Protection, Construction and Others	(0.05)	(0.08)	0.02	—
<b>Total</b>	<b>2.98</b>	<b>3.37</b>	<b>(0.38)</b>	<b>(12)</b>

# Consolidated Operating Income Trend by Product Group

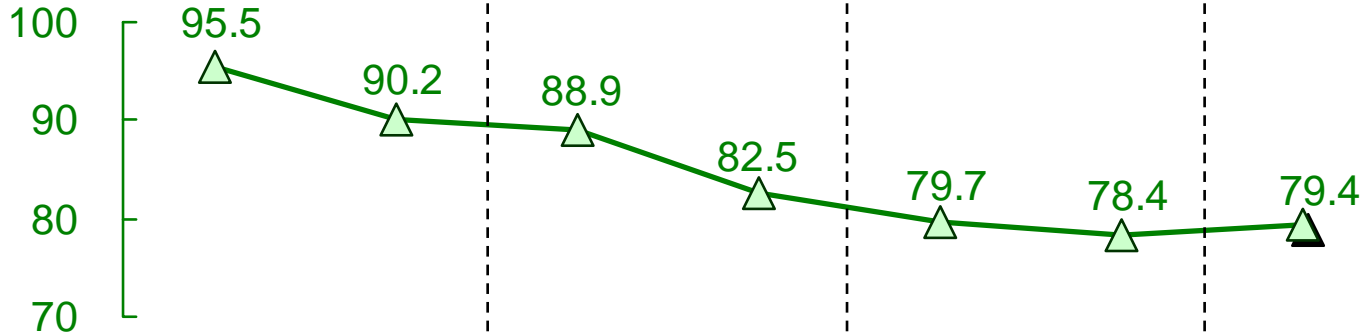
(Billions of yen)



- Toiletries and Health Care : Increase in fixed costs for superabsorbent polymers, decline in product prices of superabsorbent polymers due to intensifying competition
- Petroleum and Automotives : Demand for lubricating oil additives for fuel-saving engine oils is brisk
- Plastics and Textiles : Decline in profit as a result of the decrease in net sales of permanent antistatic agents, agents for fiberglass, and other products
- Information and Electrics / Electronics : Although the business of polyester beads used as a core component of polymerization toners has recovered, profit has decreased as a result of the decrease in net sales of electrolytes for aluminum electrolytic capacitors, silicon wafer processing agents, and other products
- Environmental Protection, Construction and Others : Reduction in the depreciation and amortization expenses of the Kinuura Factory (declining-balance method)

# Consolidated Overseas Sales Trend

Average exchange rate  
(Yen/US\$)



Overseas sales ratio  
(%)



40.0

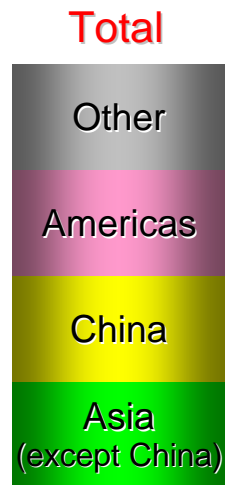
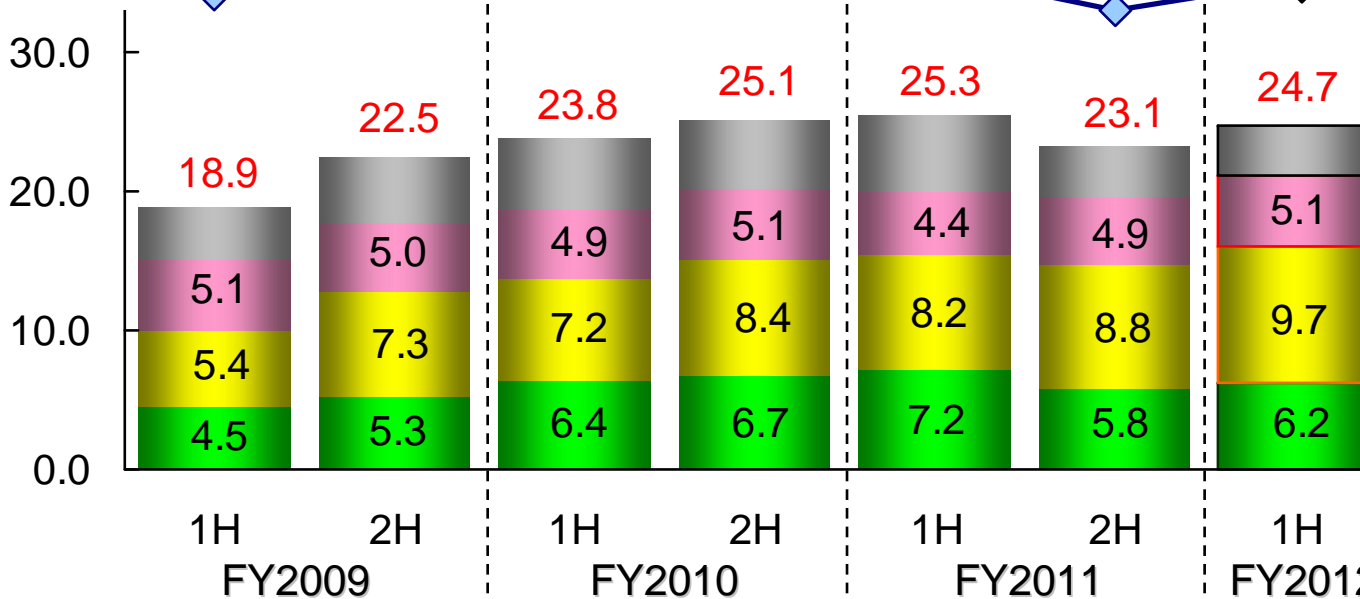
30.0

20.0

10.0

0.0

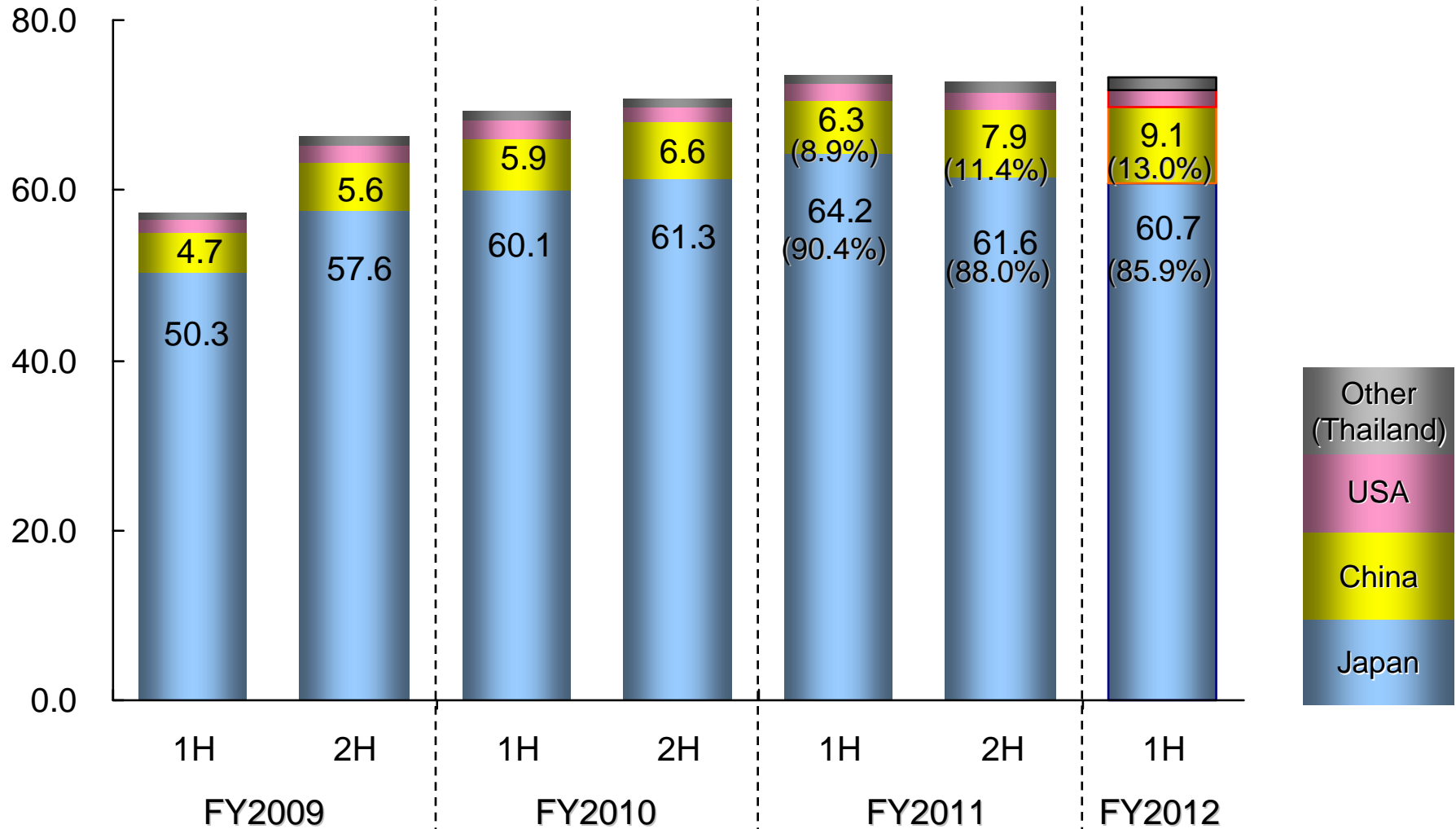
Overseas sales  
(Billions of yen)



# Consolidated Net Sales Trend by Geographic Segments

Internal sales among Sanyo Chemical Group are not eliminated.

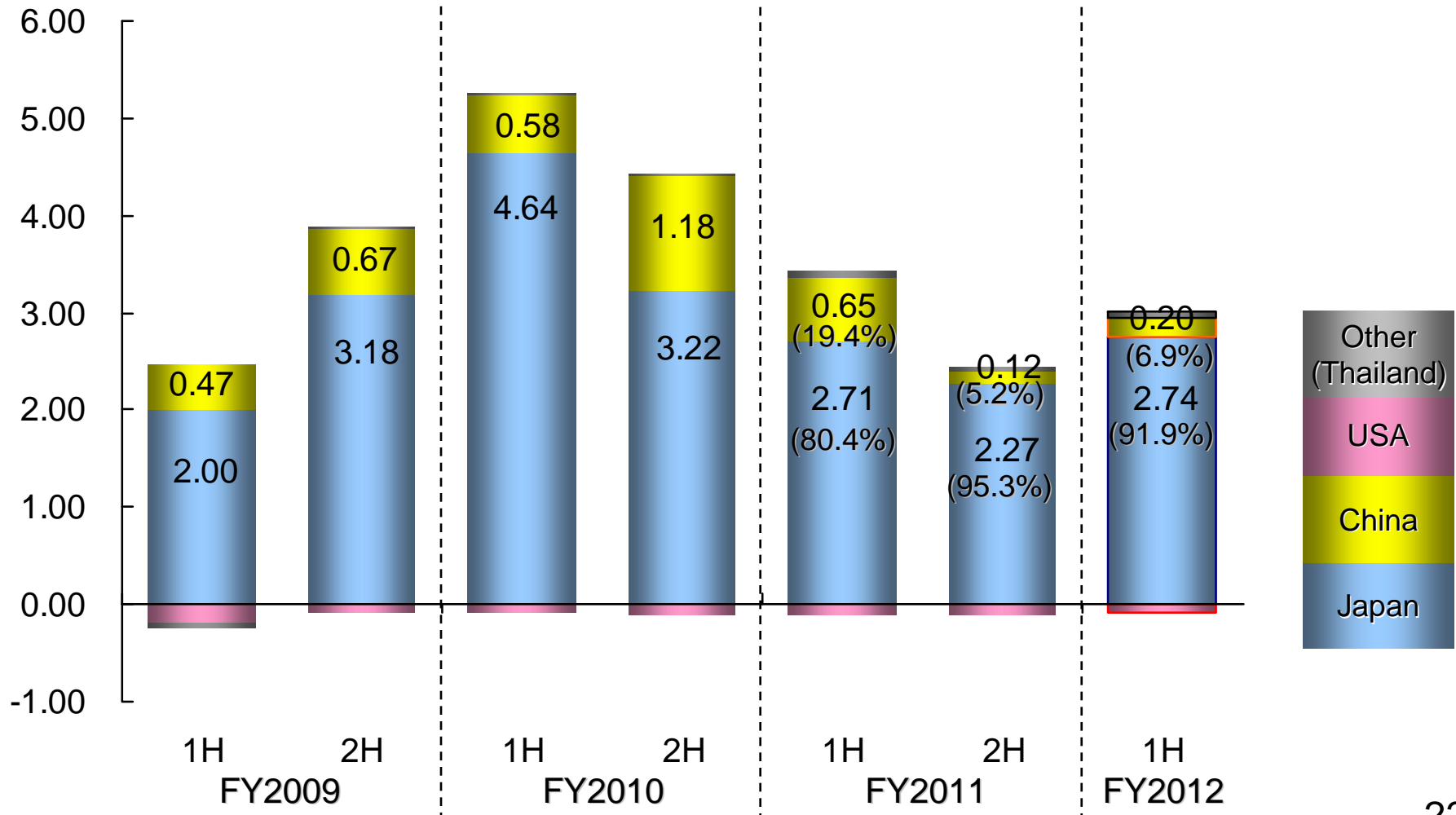
(Billions of yen)



# Consolidated Operating Income Trend by Geographic Segments

Internal sales among Sanyo Chemical Group are not eliminated.

(Billions of yen)



# Strategic Products

## Strategic Products

The driving force supporting higher profitability and business expansion

Strategic Products newly set in the Eighth Medium-Term Management Plan (18 items)

New growth-driving products (8 items)

Products related to energy, Electronic parts, Biotechnology, etc.

Strategic Products carried forward under the Seventh Medium-Term Management Plan (11 items)

Basic products for expansion (10 items)

SAP, Toner Materials, Raw Materials for Polyurethane Foams, etc.

(Billions of yen)

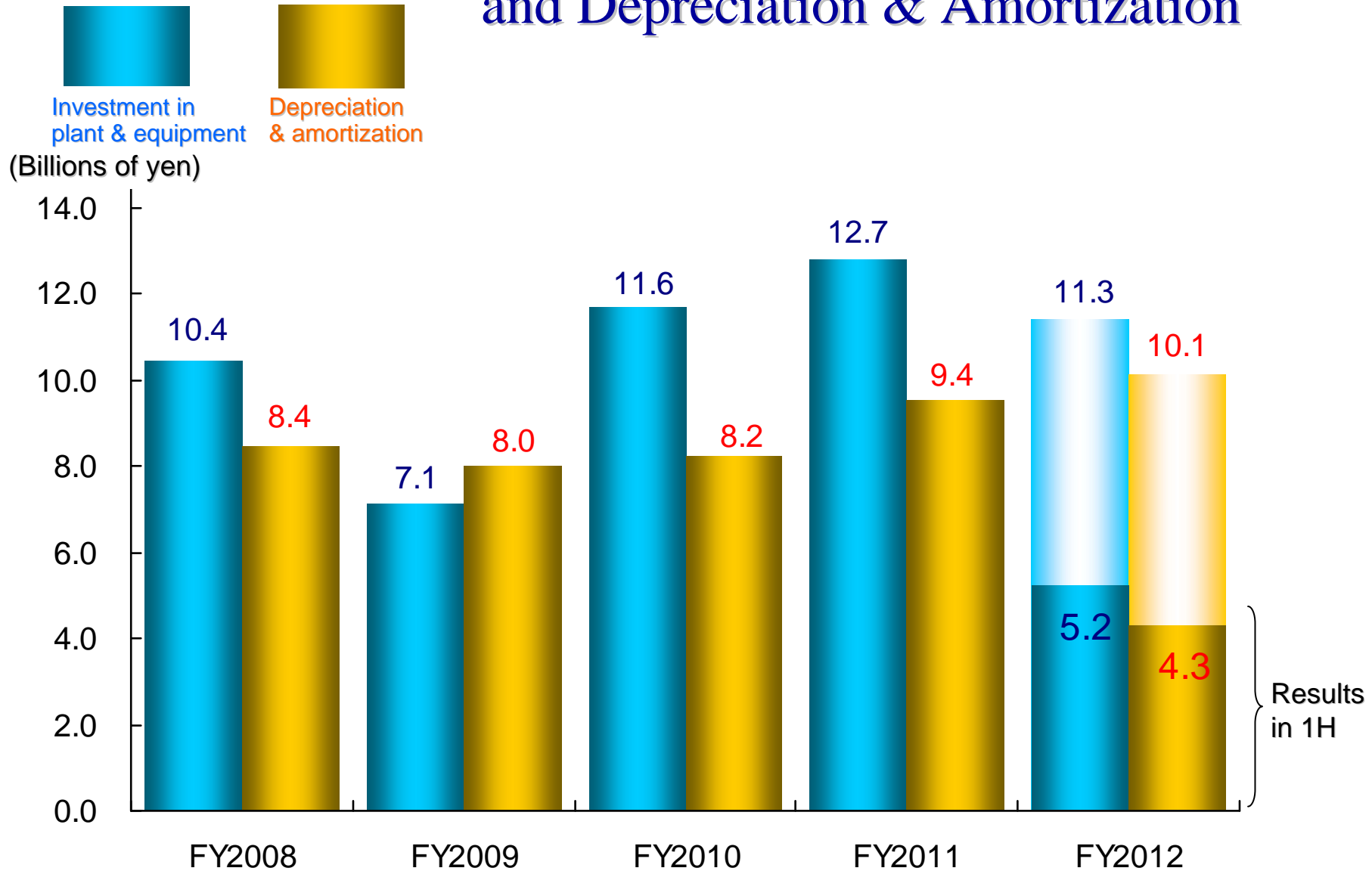
	FY2010 Annual	1H:April-September		FY2014 Annual
	Result	FY2011 Result	FY2012 Result	Forecast
Strategic Products newly set in the Eighth Medium-Term Management Plan	1.1	0.7	1.6	39.0
New growth-driving products	0.9	0.3	0.3	9.0
Basic products for expansion	0.1	0.3	1.3	30.0
Strategic Products carried over under the Seventh Medium-Term Management Plan	19.1	9.8	10.6	27.0
Strategic products total	20.2	10.5	12.2	66.0

(Billions of yen)

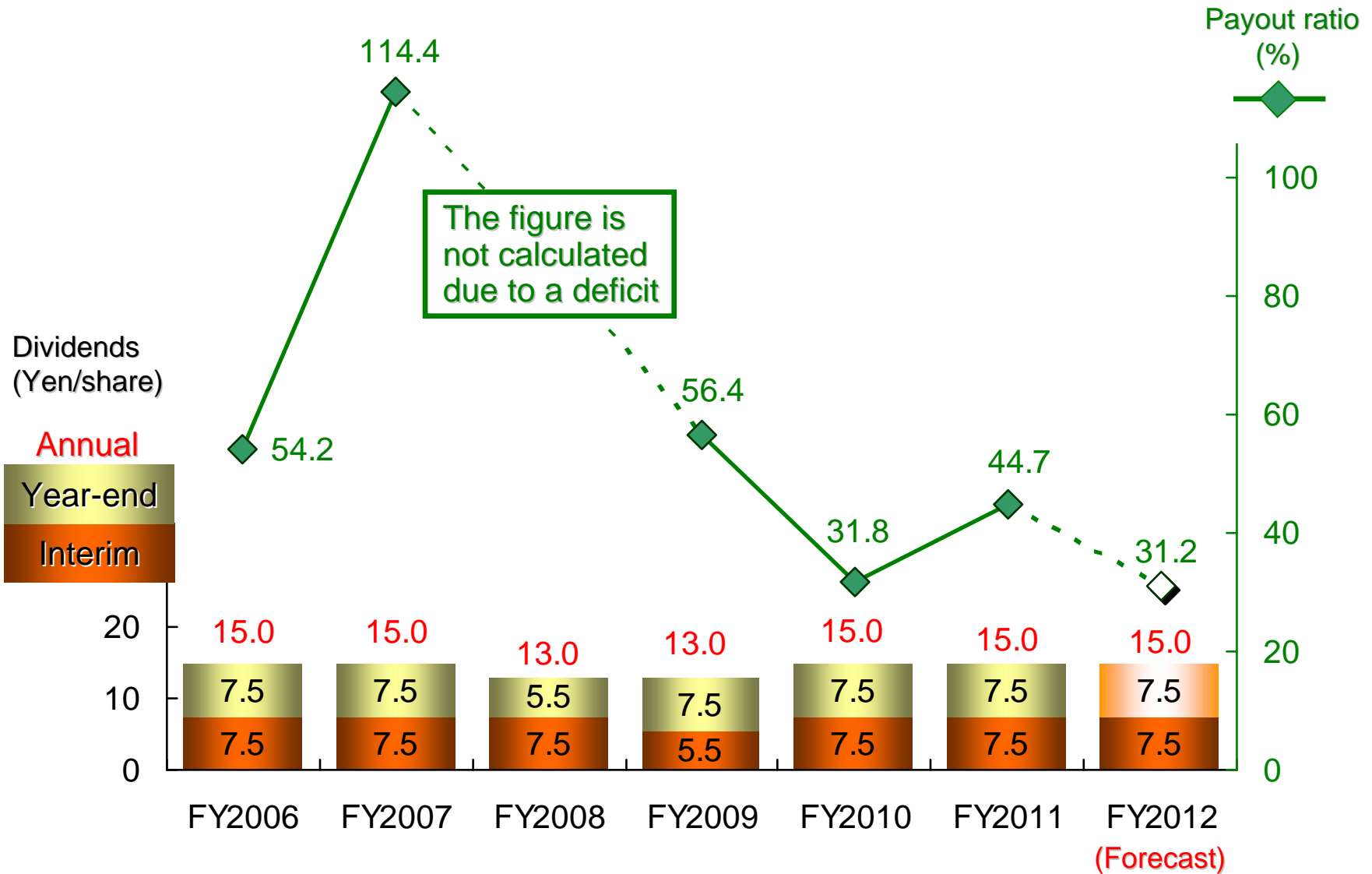
	FY2010 Annual	1H:April-September		FY2014 Annual
	Result	FY2011 Result	FY2012 Result	Forecast
Toiletries and Others	0.1	0.3	1.2	14.0
Automotives	7.5	3.9	5.2	19.4
Information and Electrics / Electronics	12.5	6.2	5.7	32.4
Strategic products total	20.2	10.5	12.2	66.0



# Consolidated Investment in Plant & Equipment, and Depreciation & Amortization



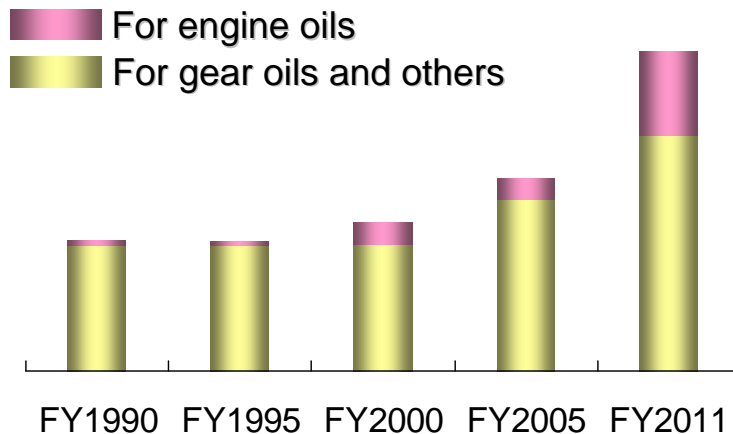
# Consolidated Dividends per Share & Payout Ratio Trend



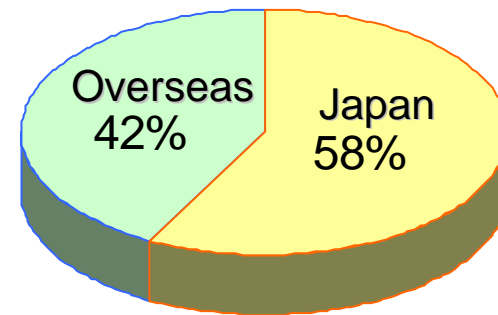
# Topics (Lubricating Oil Additives)

- Completion of expansion of the Kashima Factory in order to meet global demand  
The newly-completed facilities at the U.S. subsidiary are also about to commence operations

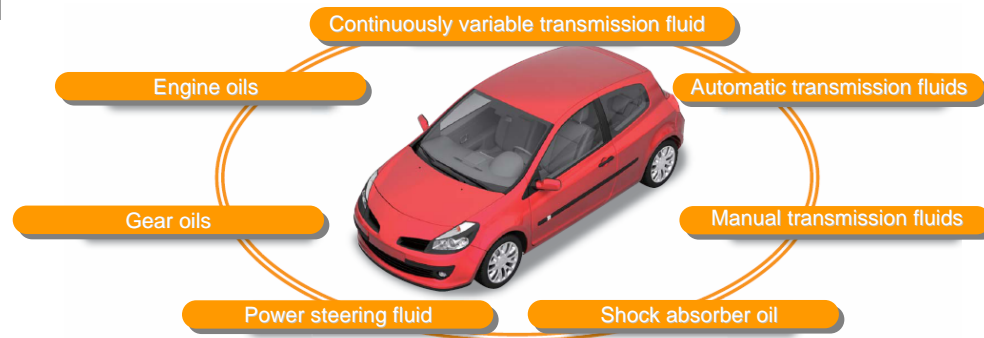
Lubricating Oil Additives Sales Ratio



Domestic and Overseas Sales Ratio (Fiscal Year 2011)



Lubricating oil additives have the effect of reducing the change in viscosity caused by the temperature of the lubricating oil, by contracting at low temperatures and expanding at high temperatures in the base oil



# Topics (SAPs)

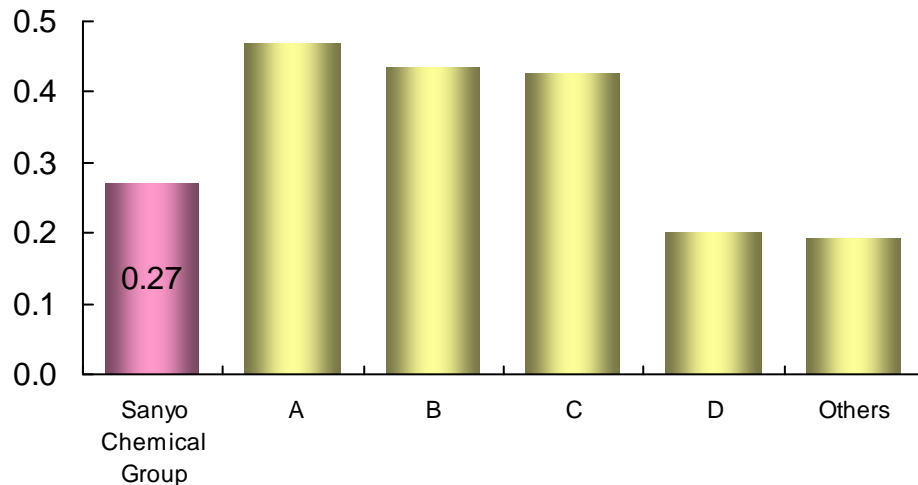
## 【Current Status】

- In the expanded facility in China, the raw materials procurement difficulties in the second half of fiscal year 2011 have been eliminated, and positive effects were seen from increased production
- SG-SAP has a good reputation. We are also considering domestic SG-SAP production
- We are considering the expansion of the SAP facilities in the next period centered on ASEAN
- Global demand in fiscal year 2012 is 1.7 million – 1.8 million tons

## Global Production Capacity by SAPs Manufacturer

(in-house research at the end of September, 2012.)

(Millions of tons/year)



# Topics (Subsidiaries and Affiliates )

## ● The new project of ENB plant in Thailand

Together with JX Nippon Oil & Energy Corporation and SCG CHEMICALS Co., Ltd. we have commenced a feasibility study (FS) regarding the ethylidene norbornene business in Thailand

### 【About ENB】

The third component essential to the manufacturing of the synthetic rubber (EPDM rubber) that is often used in automobiles

### 【Outline of the ENB project】

1. Candidate location : Rayong province, Thailand
2. Capacity of new ENB plant : 20,000 tons/year
3. Commencement of commercial operation : 2016
4. Corporate structure : Establishment of JV Entity which 3 parties invest

### 【The ENB business corporation currently being developed】

Company Name	San-Petrochemicals Co., Ltd.		Sunrise Chemical LLC	
Factory	Kamisu, Ibaraki		Texas, USA	
Shareholders	JX Nippon Oil & Energy Corporation	50%	JX Nippon Chemical Texas Inc.	50%
	SANYO CHEMICAL INDUSTRIES	50%	SANAM Corporation※	50%
Establishment	July, 1977		October, 2000	
Production capacity of ENB	20,000t/year		40,000t/year	

# Topics (New Product Development)

- Defoaming agents for water-based architectural paint of SAN NOPCO
  - They achieve a high level of defoaming performance while containing a small amount of mineral oil  
They are environmentally friendly because they reduce volatile organic compounds (VOC) and provide a countermeasure to sick building syndrome
  - They produce an outstanding defoaming performance
- Domestic demand for architectural paint: approx. 300,000 tons/year
- In our business for defoaming agents for paint, including architectural paint, we are aiming for net sales of 1.0 billion yen in fiscal year 2014



Switching to water-based architectural paint



## SAN NOPCO LIMITED



a wholly owned subsidiary of  
SANYO CHEMICAL INDUSTRIES  
Has strengths in agents for making  
paper and paints

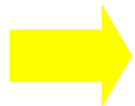
# Topics (New Product Development)

- Epoxy resin curing accelerators that maintain the transparency of LED encapsulants of San-Apro

Achieve a high level of color reproducibility over a longer period of time

## 【Background to the development of the new products】

Applications such as displays for televisions and personal computers and the backlights in the meter panels of automobiles in which replacement is difficult compared to lighting applications



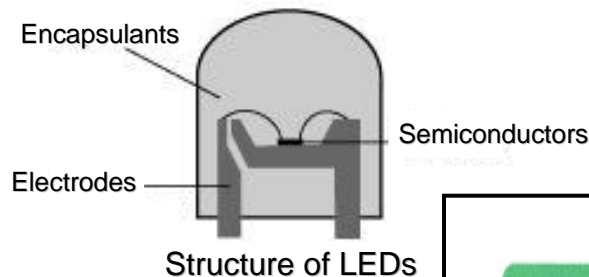
Increased range of applications of LEDs

## 【Features of the new products】

- Designed to prevent yellowing and deterioration, the new products have approx. 30%\* improved heat resistance and light resistance compared with our conventional products

\*We measured these values according to durability tests

Reduce the coloring of LED encapsulants over time and therefore maintain high transparency  
Achieve a high level of color reproducibility over a longer period of time



### San-Apro Ltd.

50-50 joint venture of SANYO CHEMICAL INDUSTRIES, LTD.  
and Air Products and Chemicals, Inc.

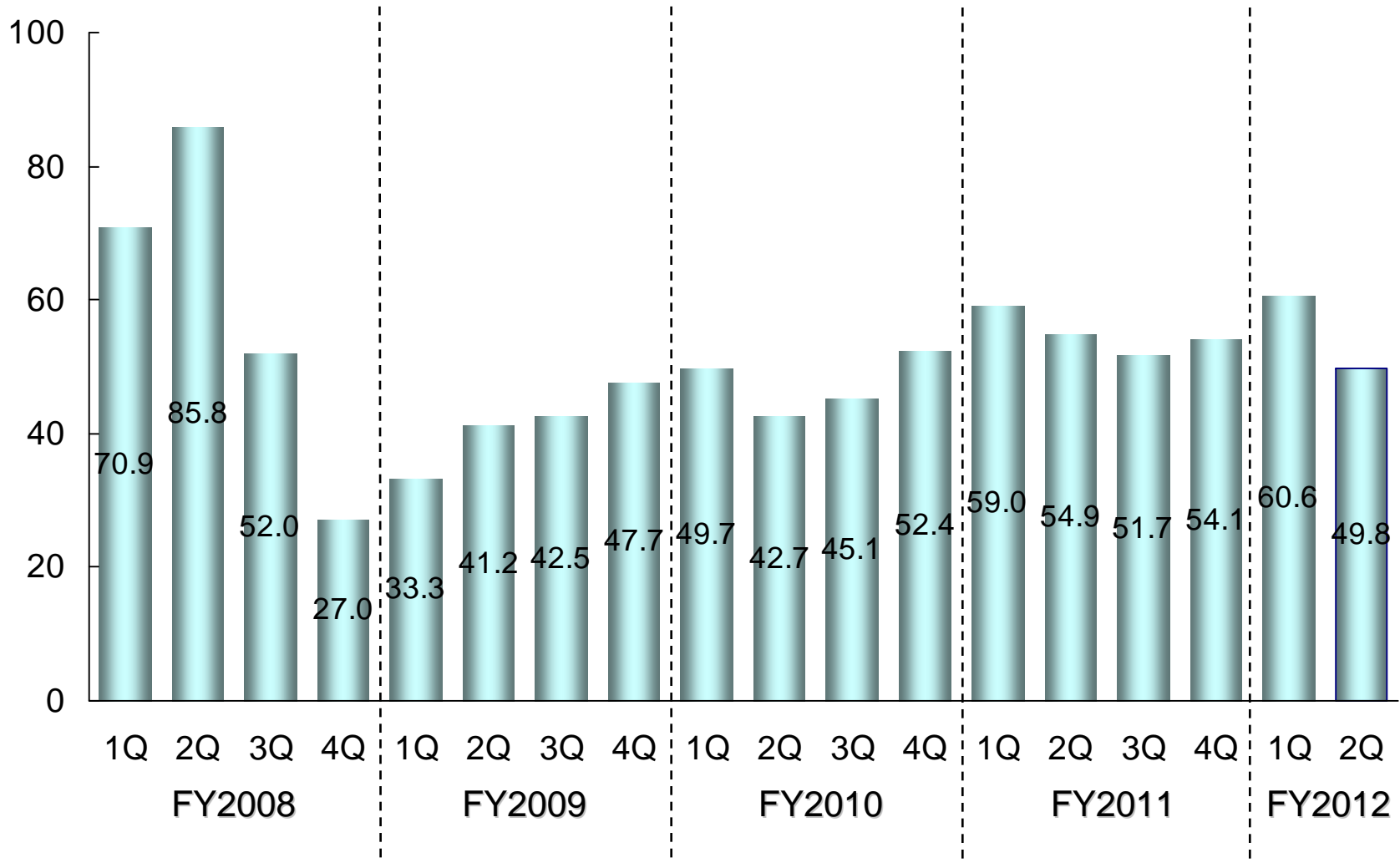
Has strengths in epoxy resin curing accelerators, urethane catalysts,  
photo-acid generators, and other products

# Reference



# Transition of Price of Domestically Produced Naphtha

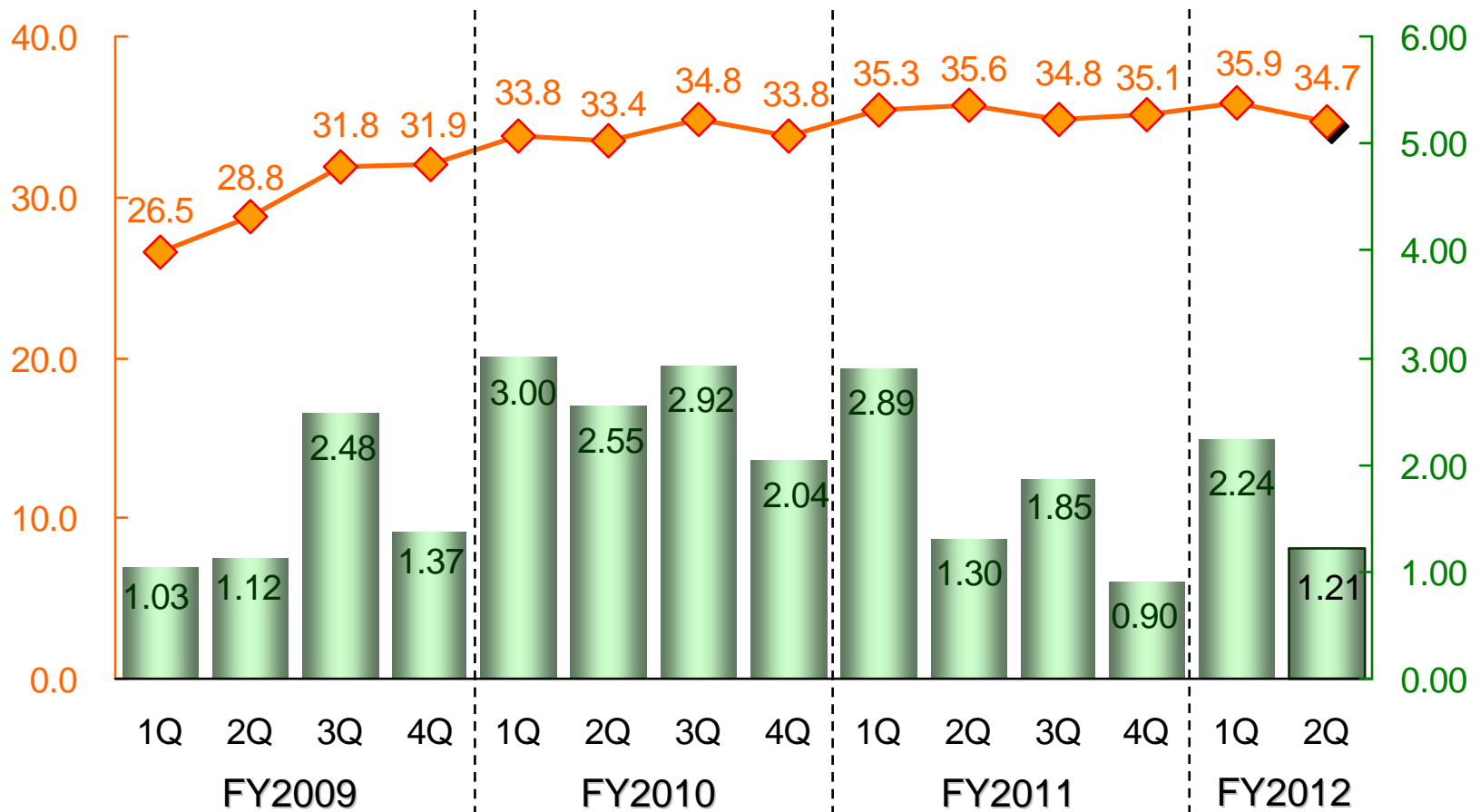
Domestic naphtha price  
(Thousands of yen/kl)



# Consolidated Business Result Trend

Net sales  
(Billions of yen)

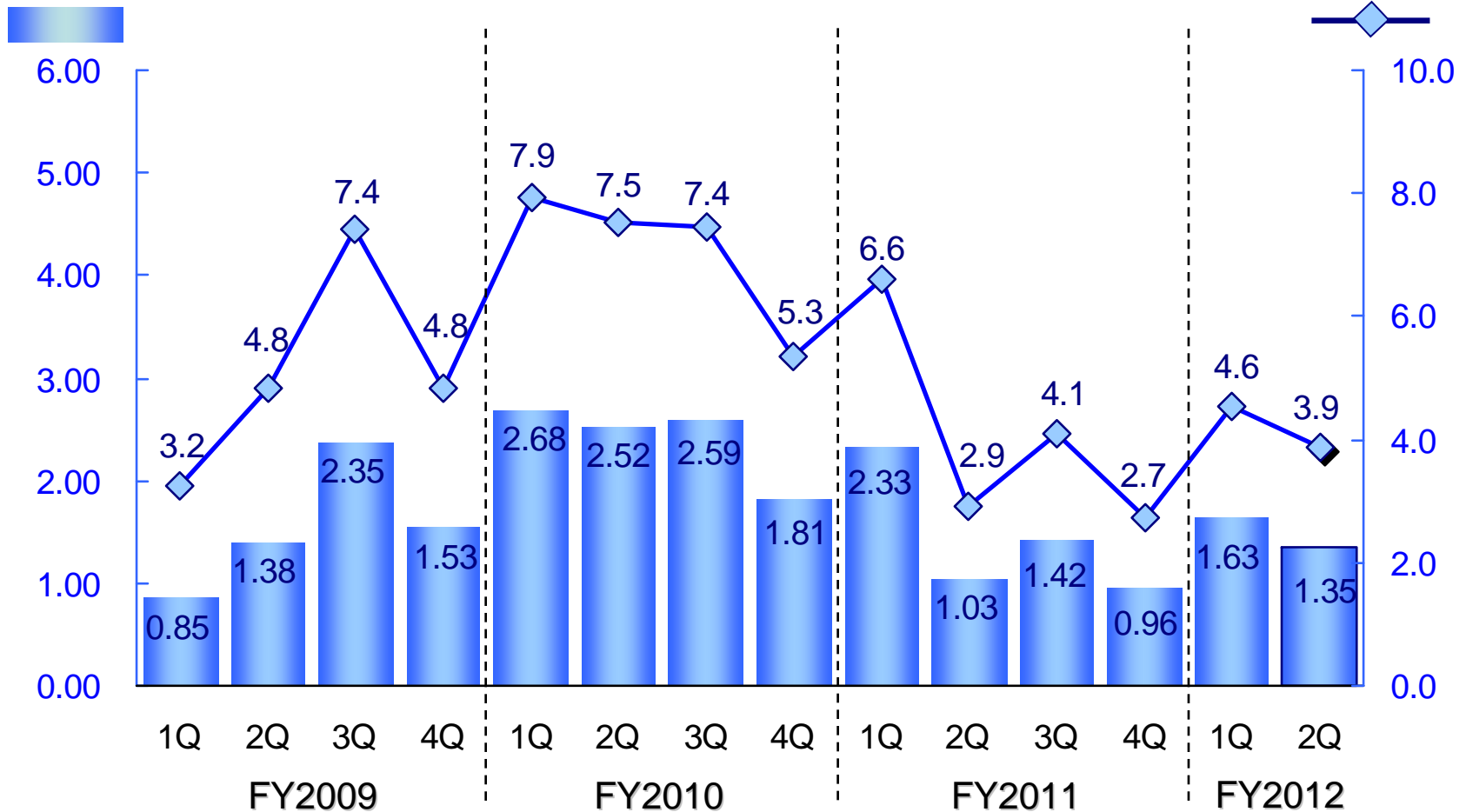
Ordinary income  
(Billions of yen)



# Consolidated Operating Income Trend

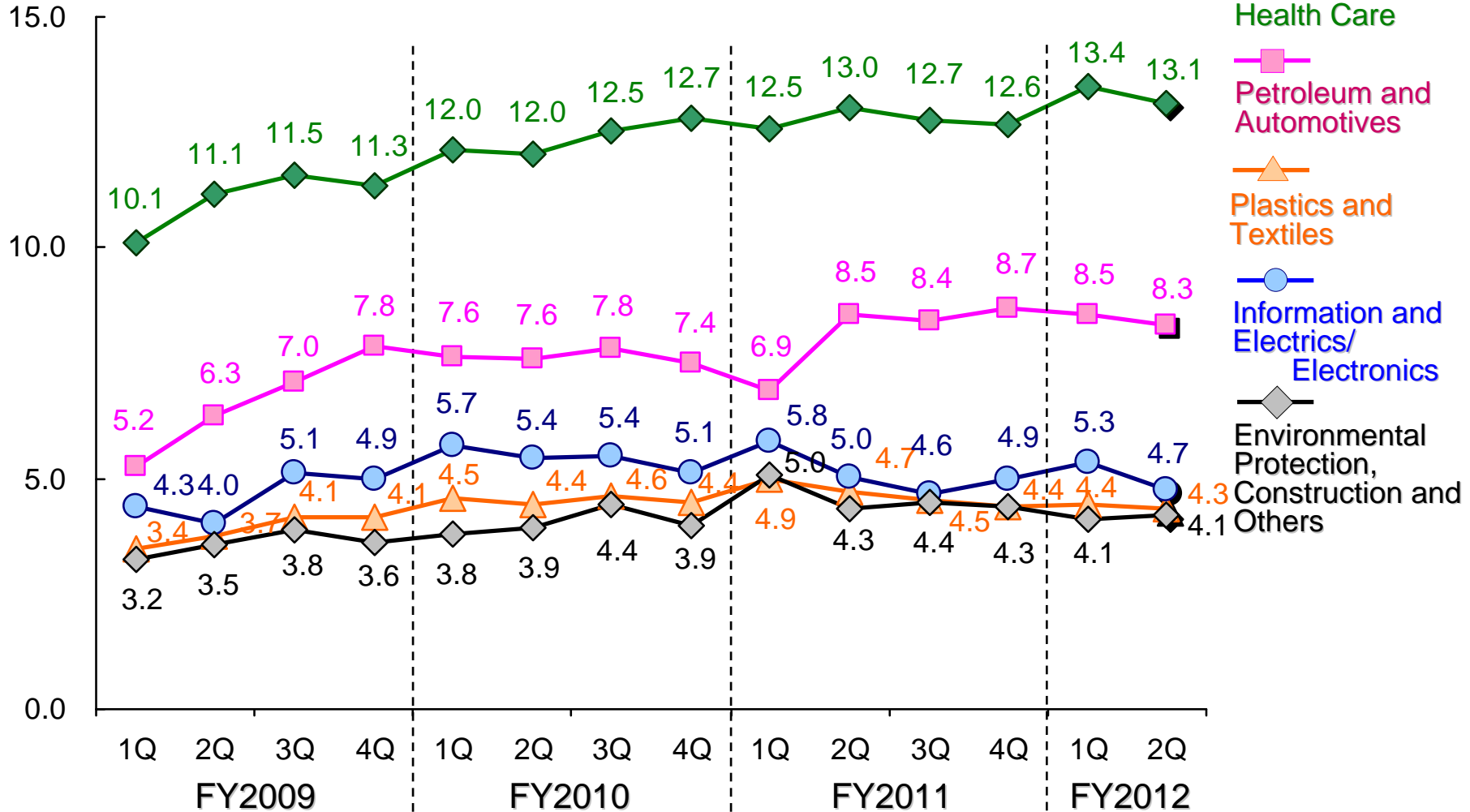
Operating income  
(Billions of yen)

Operating income  
ratio (%)



# Consolidated Net Sales Trend by Product Group

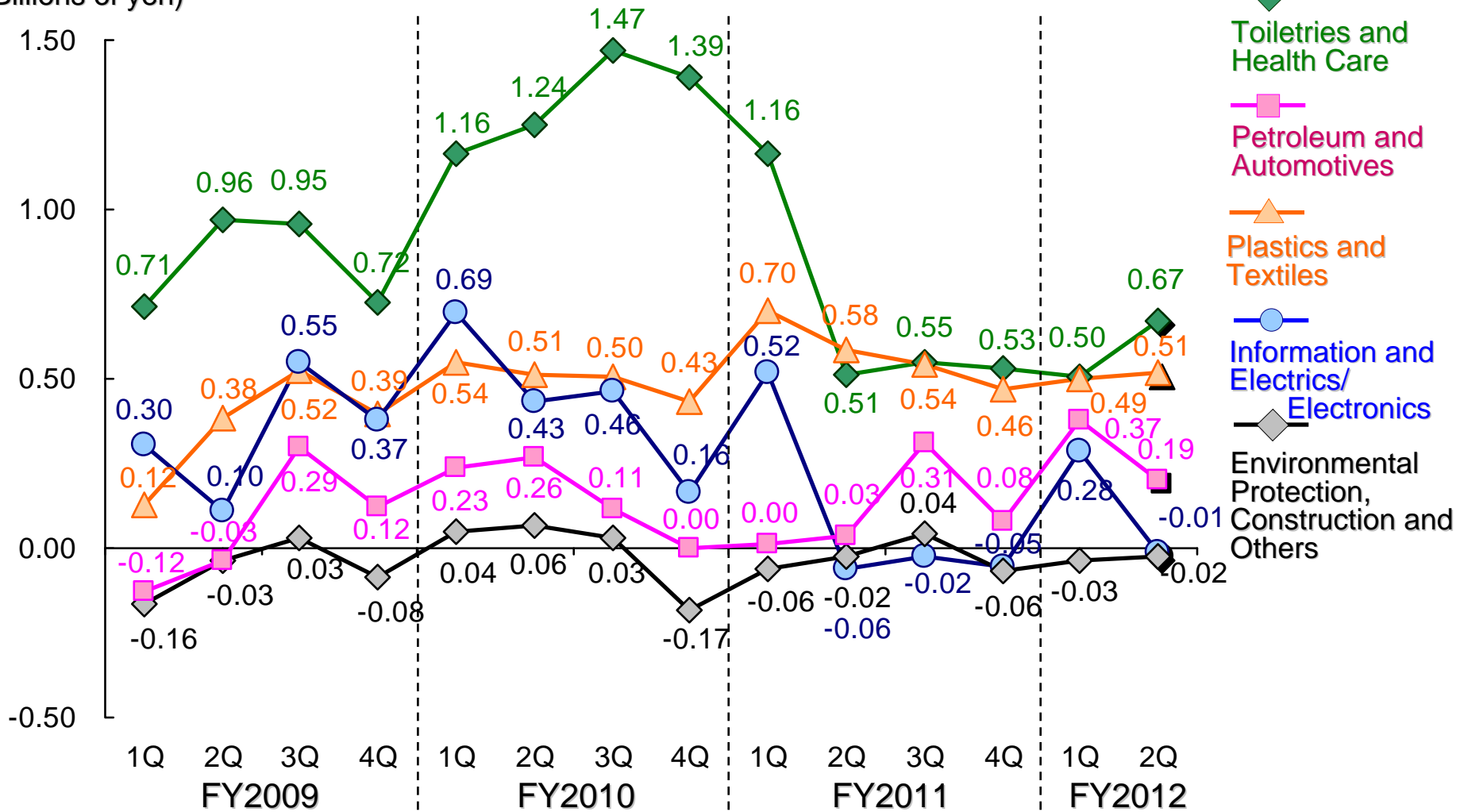
(Billions of yen)



Due to the global economic recession and other factors, demand for our products stagnated, so net sales decreased in the second quarter from the first quarter in the all of the segments except Environmental Protection, Construction and Others.

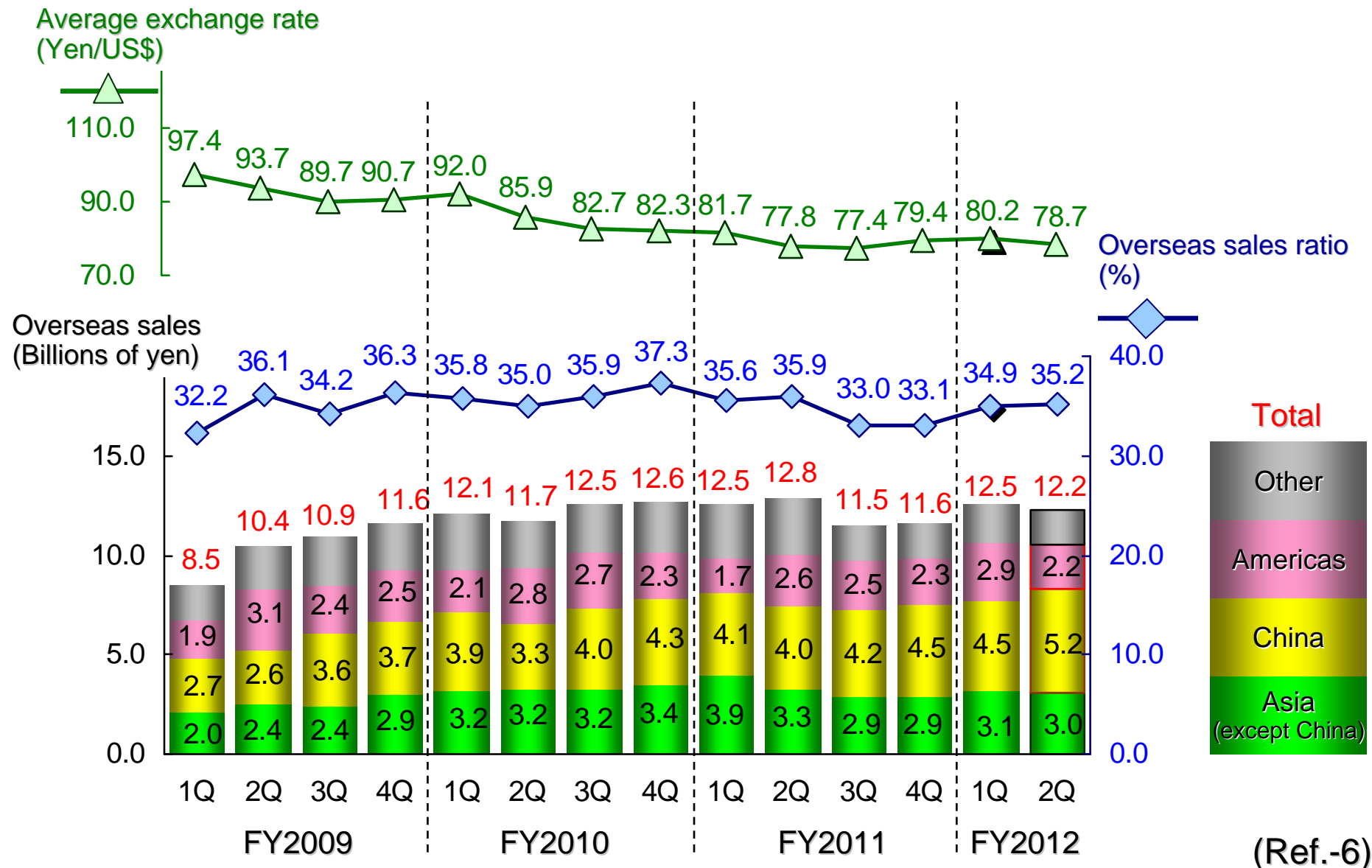
# Consolidated Operating Income Trend by Product Group

(Billions of yen)



- Due to the improved profitability of SAP, the profits from Toiletries and Health Care segment were higher in the second quarter than the first quarter.
- Profits were pushed down in all segments because the impact on profits of higher raw material costs in the first quarter became apparent in the second quarter.

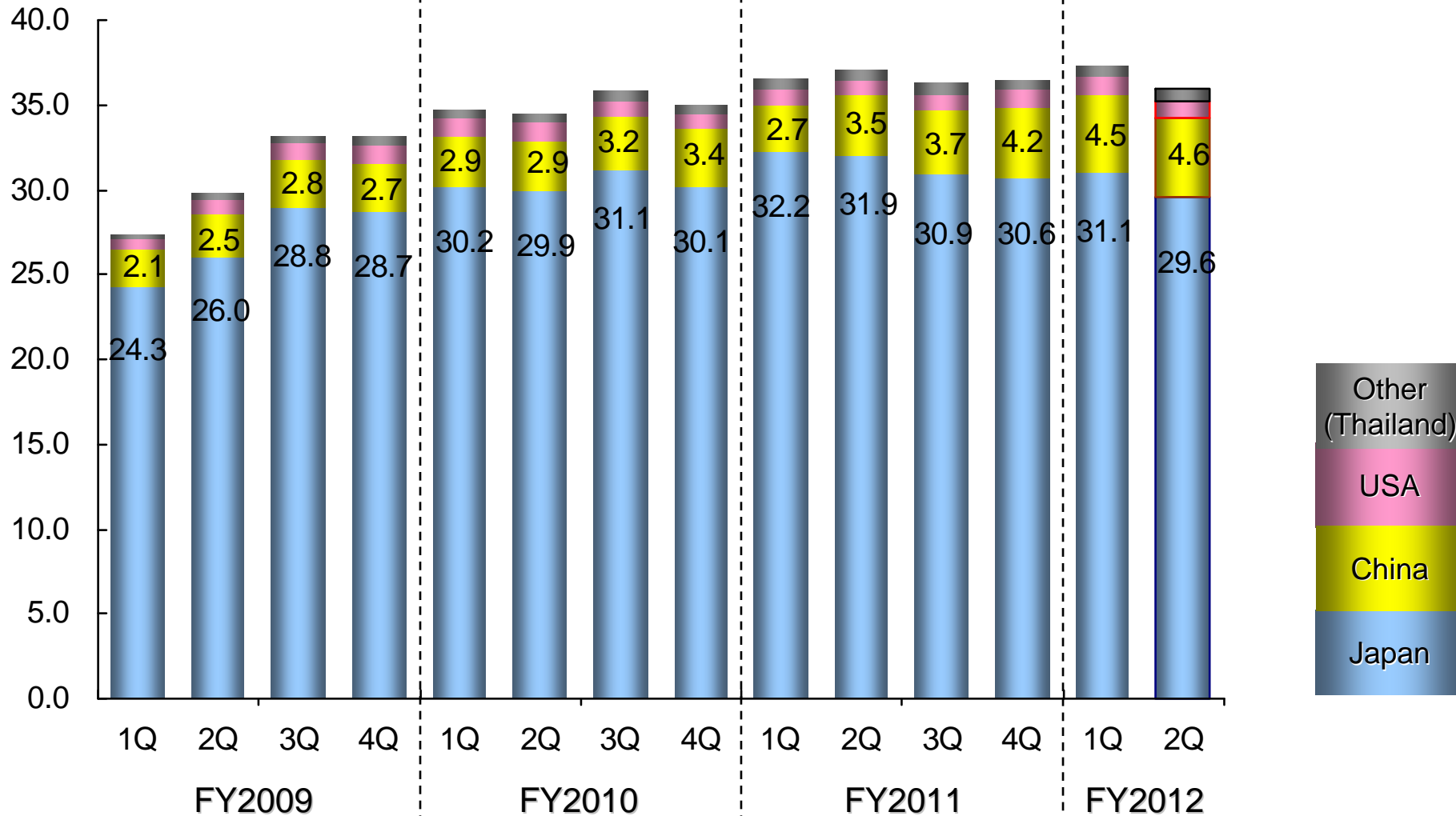
# Consolidated Overseas Sales Trend



# Consolidated Net Sales Trend by Geographic Segments

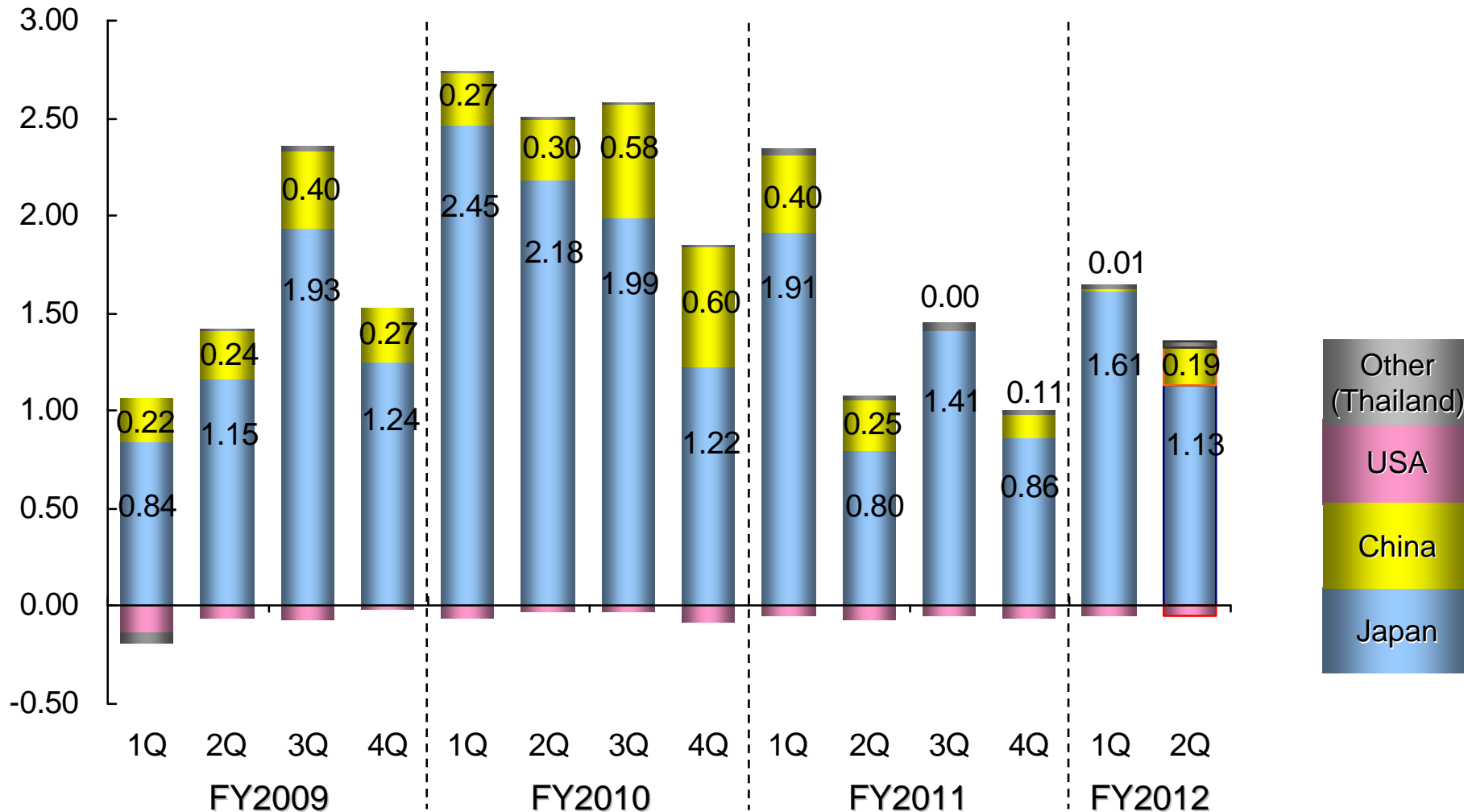
Internal sales among Sanyo Chemical Group are not eliminated.

(Billions of yen)



# Consolidated Operating Income Trend by Geographic Segments

Internal sales among Sanyo Chemical Group are not eliminated.  
(Billions of yen)





## Domestic Consolidated Subsidiaries (4 companies)

Company Name	Abbr.	Equity Ownership	Line of Business
San-Dia Polymers, Ltd.	SDP	Sanyo Chemical Mitsubishi Chemical	60% 40% Manufacture and sales of superabsorbent polymers
SAN NOPCO LIMITED	SNL	Sanyo Chemical	100% Manufacture and sales of surfactants, etc.
San Chemical Co., Ltd.	SCC	Sanyo Chemical JX Nippon Oil & Energy	50% 50% Manufacture of raw materials for polyurethane foams, etc.
San-Apro Ltd.	SA	Sanyo Chemical Air-Products	50% 50% Manufacture and sales of curing accelerators for epoxy resins, urethane catalysts, etc.

## Overseas Consolidated Subsidiaries (7 companies)

Company Name	Abbr.	Equity Ownership		Line of Business
Sanyo Kasei (Nantong) Co., Ltd. [China]	SKN	Sanyo Chemical	100%	Manufacture of surfactants, polyurethane resins, etc.
San-Dia Polymers (Nantong) Co., Ltd. [China]	SDN	San-Dia Polymers	100%	Manufacture and sales of superabsorbent polymers
Sanyo Chemical (Shanghai) Trading Co., Ltd. [China]	SCST	Sanyo Chemical	100%	Import and export of chemicals, market surveys in China, and sales-related activities
Sanyo Kasei (Thailand) Ltd. [Thailand]	SKT	Sanyo Chemical Toyota Tsusho and others	89% 11%	Manufacture and sales of surfactants, polyurethane resins, etc.
SANAM Corporation [USA]	SANAM	Sanyo Chemical	100%	Supervising of subsidiaries and an affiliate in the USA
Sanyo Chemical & Resins, LLC [USA]	SCR	SANAM	100%	Manufacture of toner resins, etc.
Sanyo Chemical Texas Industries, LLC [USA]	SCTI	SANAM	100%	Manufacture of polyurethane beads

## Subsidiaries and Affiliates Accounted for by Equity Method (6 companies)

Company Name	Abbr.	Equity Ownership	Line of Business
San-Petrochemicals Co., Ltd.	SPCC	Sanyo Chemical 50% JX Nippon Oil & Energy 50%	Manufacture of raw materials for synthetic rubbers
Sunrise Chemical LLC [USA]	SRC	SANAM 50% JX Nippon Chemical Texas 50%	Manufacture 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 Chemicals Warehouse Co., Ltd.	—	Sanyo Chemical 50% JX Nippon Oil & Energy 50%	Warehousing
Sanliving Ltd.	SL	Sanyo Chemical 100%	Real estate, insurance, travel agency, etc.