

Condensed Consolidated Financial Information

for the Three Months
Ended June 30, 2009

(April 1, 2009 through June 30, 2009)

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 Group's current plans, strategies and results. These forward-looking statements were formulated by managers based on currently-available information, however actual results may vary significantly depending on the economic environment where Sanyo Chemical Group conduct 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 Group submitted Tokyo & Osaka Stock Exchange is unaudited and for reference only.

Ticker code : 4471

Consolidated Financial Highlights

Results of Operations

	Three months ended June 30,			
	2009		2008	
	Millions of Yen	Change	Millions of Yen	Change
Net sales	¥26,542	(23.0%)	¥34,492	—
Operating income	857	(12.1%)	975	—
Ordinary income	1,037	(7.9%)	1,127	—
Net income	393	(31.9%)	577	—

	Three months ended June 30,	
	2009	2008
	Yen	Yen
Net income per share	¥3.57	¥5.24
Net income per share, diluted	¥3.30	¥4.85

Financial Conditions

	As of June 30,	As of March 31,
	2009	2009
	Millions of Yen	Millions of Yen
Total assets	¥131,510	¥123,901
Net assets	81,288	78,557
Shareholders' equity ratio	60.0%	61.7%
Net assets per share : Yen	715.60	693.00
Shareholders' equity	78,956	76,465

Cash Dividend

	Year ended March 31,	Year ended March 31,
	2009	2010 (Forecast)
	Yen	Yen
Cash dividend per share		
1Q (as of June 30)	—	—
2Q (as of Sept. 30)	7.50	5.50
3Q (as of Dec. 31)	—	—
4Q (as of March 31)	5.50	5.50
Total	13.00	11.00

Earnings Forecasts

	Six months ended Sept. 30,		Year ended March 31,	
	2009		2010	
	Millions of Yen	Change	Millions of Yen	Change
Net sales	¥54,000	(24.0%)	¥108,000	(16.6%)
Operating income	¥1,500	(24.6%)	¥2,600	306.0%
Ordinary income	1,600	(31.0%)	2,700	442.1%
Net income	700	(41.9%)	1,200	—
Net income per share : Yen	¥6.34	—	¥10.88	—

Notes:

1. Amounts are rounded down to the nearest million.
2. The percentage change is year-on-year change compared with the same period of the previous fiscal year.
3. The computations of net income per share of common stock are based on the weighted average number of shares outstanding during each period.

Basis for preparation of quarterly financial statements

- (1) Significant changes affecting subsidiaries during the period under review (changes in the scope of consolidation): not applicable
- (2) Employment of simplified accounting method and special accounting method for the preparation of quarterly financial statements: Yes
Note: For the details, please refer to "4. Other Matters" appearing on page 6 of the "Commentaries on Business Performance and Financial Position for the Three Months Ended June 30, 2009"
- (3) Changes to accounting standards and special methods for the preparation of quarterly financial statements (Changes in the items included in the preparation of quarterly financial statements)
- a. Revisions to accounting standards: None
 - b. Changes other than those mentioned in the preceding item: None
- (4) Number of shares issued (Ordinary shares of common stock)
- a. Number of shares issued at the end of the period (including treasury shares)
 - End of first quarter (June 30, 2009): 117,673,760 shares
 - End of previous period (March 31, 2009): 117,673,760 shares
 - b. Treasury shares at the end of the period
 - End of first quarter (June 30, 2009): 7,338,820 shares
 - End of previous period (March 31, 2009): 7,335,106 shares
 - c. Average number of shares (first quarter)
 - Reporting first quarter (ended June 30, 2009): 110,336,986 shares
 - Previous first quarter (ended June 30, 2008): 110,353,675 shares

Disclaimer regarding business performance forecasts

The earnings forecast for the first half period (April – Sept. 2009) for the term ending March 31, 2010 announced on April 30, 2009, has been revised upwards as above as of July 27, 2009. (The full-term earnings forecast has not been revised)

The business performance forecasts given above are based on information in the possession of the Company as of the time of writing, and actual results may therefore differ substantially from these forecasts owing to various unforeseeable factors that may come into operation in the future. Please refer to "3. Qualitative Information Concerning Forecast of Consolidated Financial Position" appearing on page 6 for business performance forecasts.

Commentaries on Business Performance and Financial Position for the Three Months Ended June 30, 2009

1 Qualitative Information Concerning Consolidated Business Results

Japanese economy in the first quarter (April 1, 2009 through June 30, 2009) saw productivity and shipments rebound, and appears to have pulled through the worst period after its rapid fall from autumn in the previous year. Despite this, the outlook for the employment and consumer environments remains harsh, and trends towards a full-scale recovery are lacking in strength.

In the chemical industry, demand has recovered thanks to the economic stimulus measures of several major countries; however the business environment remains severe, with naphtha prices once again following an upward trend, and the outlook for the industry remains uncertain.

Net sales of Sanyo Chemical Group decreased 23.0% from the same period of the previous fiscal year to ¥26,542 million due to reduced demand and lower selling prices, although this represented an improvement over the worst period (the previous January-March quarter) of the downturn.

In terms of profit, we made efforts to counter the downturn through group-wide cost reductions; however, even so, operating income decreased by 12.1% to ¥857 million from the same period of the previous fiscal year, ordinary income decreased by 7.9% to ¥1,037 million, and net income decreased by 31.9% to ¥393 million.

Sales by product applications were as follows:

Please note,

In order to ensure a greater understanding of the business activities of the Sanyo Chemical Group, starting in this current fiscal year we have changed our product classification system from one based on chemical compositions to one based on product applications. Percentages for each product group in comparison with the same period of the previous fiscal year have been recalculated to reflect the new segmentation purpose from figures for the first quarter of the previous fiscal year.

Toiletries and Health Care

Sales to the toiletry industry remained steady for surfactants used for low irritancy hair care products and surfactants used as detergent base materials with superior biodegradability. Sales of polyethylene glycol and industrial surfactants were a slightly sluggish trend caused by the economic recession.

Sales to the health care industry increased for superabsorbent polymers due to growth in overseas demand for disposable diapers; however sales stagnated domestically because demand remained flat.

As a result, total net sales in this product group decreased by 8.5% from the same period of the previous fiscal year to ¥10,128 million.

Machinery and Automotives

In the machinery and automotive industries, sales of raw materials for new high-performance polyurethane foams used mainly in automobile seats increased because they received further wide recognition on the market; however sales of thermoplastic polyurethane beads (TUB) for the interior parts of automobiles, raw materials for general-purpose polyurethane foams, and lubricating oil additives for automobiles substantially decreased.

As a result, total net sales in this product group decreased by 38.8% from the same period of the previous fiscal year to ¥5,280 million.

Plastics and Textiles

Sales to the plastics industry performed sluggishly because permanent antistatic agents used for the production of packaging materials for electronic components were affected by an economic slump in the electronic components industry. Sales of pigment dispersants for coloring synthetic resins were also sluggish due to the economic recessions.

Sales to the textile industry substantially decreased because binders for fiberglass and agents used in textile manufacturing processes for industrial materials utilized in automobile airbags and seat belts were affected by automobile production cutbacks, and also demand of agents for carbon fibers were weak.

As a result, total net sales in this product group decreased by 24.2% from the same period of the previous fiscal year to ¥3,495 million.

Information and Electrics/Electronics

Sales to the information industry were sluggish due to slackening demand for toner resins for pulverized toners in spite of a strong increase in demand for new product types of polyester beads (PEB) used as a core component of polymerization toners.

Sales to the electric/electronic industry substantially decreased due to a rapid slump in overseas demand for silicon wafer processing agents and the impact of the economic recession in the industry of home appliances on electrolytes for aluminum electrolytic capacitors.

As a result, total net sales in this product group decreased by 22.6% from the same period of the previous fiscal year to ¥4,384 million.

Environmental Protection, Construction and Others

Sales of products for protecting the environment were slightly sluggish due to weak demand of cationic polymer flocculants affected by the production cutbacks in the paper industry.

Sales to the construction industry decreased substantially due to the impact of the economic recessions on raw materials for building sealants and raw materials for polyurethane foam used in heat insulating materials for housing.

As a result, total net sales in this product group decreased by 28.0% from the same period of the previous fiscal year to ¥3,253 million.

2 Qualitative Information Concerning Consolidated Financial Position

The Company's financial position at the end of the first quarter was as follows:

Total assets increased by ¥7,608 million compared with the previous term-end, to ¥131,510 million, due to increased cash resulting from an increase in short-term borrowings and higher investment securities accompanying a rise in share prices.

Net assets increased by ¥2,730 million over the previous term-end, to ¥81,288 million, while the equity ratio (net assets after deduction of minority interests, as a percentage of total assets) declined by 1.7 percentage points to 60.0%.

Cash and cash equivalents at the end of the first quarter increased by ¥5,782 million from the previous term-end (against a decrease of ¥2,854 million for the previous term-end), to ¥12,813 million.

Cash flow movements during the period, and the factors influencing them, were as follows:

Cash Flows from Operating Activities

Net cash provided from operating activities increased to ¥6,063 million (compared with ¥26 million for the same period of the previous fiscal year). This consisted of a net cash inflow from income before income taxes and minority interests in the amount of ¥1,023 million, depreciation expenses in the amount of ¥1,905 million, and a ¥2,303 million increase in trade payables.

Cash Flows from Investing Activities

Net cash used in investing activities slightly decreased to ¥1,825 million (compared with ¥1,973 million for the same period of the previous fiscal year), consisting principally of an outlay of ¥1,865 million for the acquisition of property, plant and equipment.

Cash Flows from Financing Activities

Net cash used by financing activities increased to ¥1,433 million (compared with net cash used of ¥833 million for the same period of the previous fiscal year). This is attributable to an increase in short-term borrowings of ¥2,633 million outweighing the reduction of funds by dividend payments of ¥584 million and repayment of long-term borrowings of ¥508 million.

3 Qualitative Information Concerning Forecast of Consolidated Financial Position

First quarter sales were broadly in line with our start-of-term forecasts announced on April 30, 2009. Earnings for the first quarter are steady at a level above the initial earnings forecast as a result of Group-wide anti-recession measures and cost reductions, as well as a slight recovery in demand after coming out of the worst period. As a result of this, our earnings forecast for the first half has been revised upwards.

Our full-term earnings forecast has not been revised due to the continuing unpredictability of the economy, and in particular the uncertainty of future movements in naphtha prices and the yen's exchange rates, which could substantially affect the Group's performance.

The table below allows a comparison between the revised first-half performance forecasts and the previous forecasts released by the Company at the April 30 announcement of business results.

(Millions of Yen)

Full term	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previous forecast (A)	50,000	400	450	0	¥0.00
Current forecast (B)	54,000	1,500	1,600	700	6.34
Difference (B – A)	4,000	1,100	1,150	700	-
Percentage change	8.0	275.0	255.6	-	-
Previous term's figures	71,046	1,988	2,318	1,205	10.92

Disclaimer regarding business performance forecasts

The business performance forecasts given above are based on information in the possession of the Company as of the time of writing, and actual results may therefore differ substantially from these forecasts owing to various unforeseeable factors that may come into operation in the future.

4 Other Matters

(1) Significant changes affecting subsidiaries during the period under review (changes in the scope of consolidation)

Nothing to report

(2) Application of simplified accounting methods, and application of special accounting methods to the Company's quarterly financial statements on a consolidated basis

Calculation of tax expenses

Tax expenses for the reporting three month period have been calculated by multiplying income before income taxes on a consolidated basis by a reasonably estimated effective tax rate (after application of tax-effect accounting).

(3) Changes in accounting principles, procedures, and presentation format employed in the preparation of quarterly financial statements

Nothing to report

5 Consolidated Financial Statements

(1) Consolidated Balance Sheets

(1)- (1) Assets

	Millions of Yen	
	as of Jun. 30, 2009	as of Mar. 31, 2009
ASSETS		
Current assets		
Cash and deposits	¥12,829	¥7,031
Notes and accounts receivable—trade	28,908	29,225
Finished goods and merchandise	8,010	7,929
Semifinished goods	2,938	3,341
Work in process	242	207
Raw materials and supplies	2,724	2,805
Deferred income taxes	1,105	1,086
Other current assets	1,495	1,231
Allowance for doubtful accounts	(22)	(22)
Total current assets	58,232	52,835
Fixed assets		
Property, plant and equipment, at cost		
Buildings and structures, net	14,182	14,248
Machinery and vehicles, net	21,791	22,195
Land	7,632	7,604
Construction in progress	5,158	4,760
Other property, plant equipments, net	1,702	1,804
Total Property, plant equipment	50,467	50,614
Intangible assets		
Software	527	483
Goodwill	299	342
Other intangible assets	289	234
Total intangible assets	1,116	1,060
Investments and other assets		
Investments in securities	19,541	16,458
Long-term loans receivable	8	9
Deferred income taxes	1,140	1,917
Other investments and other assets	1,061	1,063
Allowance for doubtful accounts	(57)	(57)
Total investments and other assets	21,693	19,391
Total fixed assets	73,278	71,066
Total assets	¥131,510	¥123,901

(1)Consolidated Balance Sheets
(1)-(2) Liabilities and Net Assets

	Millions of Yen	
	as of Jun. 30, 2009	as of Mar. 31, 2009
LIABILITIES		
Current liabilities		
Notes and account payable-trade	¥15,843	¥13,342
Short-term loans	6,216	3,339
Current portion of long-term debt	1,010	1,091
Accrued expenses	2,589	1,993
Accrued income taxes	204	93
Accrued bonuses to employees	648	1,212
Accrued bonusesto directors and corporate auditors	12	41
Notes payable-other	2,975	3,283
Other current liabilities	1,872	1,616
Total current liabilities	31,372	26,013
Long-term liabilities		
Unsecured convertible bonds	10,000	10,000
Long-term debt	2,569	2,946
Accrued retirement benefits for employees	4,567	4,648
Accrued retirement benefits for directors and corporate auditors	867	887
Other long term liabilities	844	848
Total long term liabilities	18,848	19,330
Total liabilities	50,221	45,344
NET ASSETS		
Shareholders' equity		
Common stock	13,051	13,051
Capital surplus	12,194	12,194
Retained earnings	57,473	57,686
Treasure stock, at cost	(5,677)	(5,675)
Total shareholders' equity	77,041	77,257
Valuation and translation adjustments		
Unrealized gains on other securities	2,886	674
Translation adjustments	(972)	(1,466)
Total valuation and translation adjustments	1,914	(792)
Minority interests	2,332	2,092
Total net assets	81,288	78,557
Total liabilities and net assets	¥131,510	¥123,901

(2) Consolidated Statements of Income

Millions of Yen		
Three months ended June 30,		
	2008	2009
Net sales	¥34,492	¥26,542
Cost of sales	28,794	21,457
Gross profit	5,698	5,084
Selling, general and administrative expenses	4,722	4,227
Operating income	975	857
Non-operating income		
interest income	22	8
Divident income	164	137
Equity in earnings of unconsolidated subsidiaries and affiliates	24	—
Rent income of real estate	89	89
Exchange gain	—	172
Other non-operating income	38	25
Total non-operating income	339	433
Non-operating expenses		
Interest expenses	86	70
Equity in losses of unconsolidated subsidiaries and affiliates	—	131
Exchange loss	52	—
Other non-operating expenses	47	49
Total non-operating expenses	187	252
Ordinary income	1,127	1,037
Extraordinary income		
Gains on sale of investments in securities	—	10
Total extraordinary income	—	10
Extraordinary expenses		
Loss on disposal of property, plant and equipment	28	24
Loss on valuation of investments in securities	108	—
Other extraordinary expenses	3	—
Total extraordinary expenses	140	24
Income before income taxes and minority interests	986	1,023
Income taxes	419	382
Minority interests	(10)	247
Net income	¥577	¥393

(3) Consolidated Statements of Cash Flows

	Millions of Yen	
	Three months ended June 30,	
	2008	2009
Operating activities		
Income before income taxes and minority interests	¥986	¥1,023
Depreciation and amortization	1,892	1,905
Loss on disposal of property, plant and equipment	28	24
Amortization of goodwill	52	42
(Decrease) increase in allowance for doubtful accounts	0	0
(Decrease) increase in accrued bonuses to employees	(980)	(563)
(Decrease) increase in accrued retirement benefits for employees	(106)	(81)
(Decrease) increase accrued retirement benefits for directors and corporate auditors	(295)	(19)
(Decrease) increase in accrued bonuses to directors and corporate auditors	(40)	(29)
Interest and dividend income	(187)	(145)
Interest expense	86	70
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	(24)	131
(Gains) loss on sale of investments in securities	—	(10)
(Gains) loss on valuation of investments in securities	108	—
Non-operating expenses (income)	(50)	(254)
Decrease (increase) in notes and accounts receivable	(637)	471
Decrease (increase) in inventories	(1,299)	549
Decrease (increase) in other assets	(621)	(513)
(Decrease) increase in notes and accounts payable	168	2,303
(Decrease) increase in accrued consumption taxes	16	91
Decrease (increase) in receivable consumption taxes	—	75
(Decrease) increase in other liabilities	1,168	980
Subtotal	266	6,052
Interest and dividend income received	351	197
Interest expense paid	(84)	(80)
Other	91	61
Income taxed paid	(599)	(167)
Net cash provided by operating activities	26	6,063
Investing activities		
Payment for time deposit	—	(15)
Purchases of property, plant and equipment	(1,570)	(1,865)
Proceeds from sale of property, plant and equipment	0	—
Acquisition of investments in securities	(98)	(2)
Proceeds from sale of investments in securities	—	26
Payments for loans	(220)	0
Withdraw loans	6	52
Other	(90)	(20)
Net cash used in investing activities	¥(1,973)	¥(1,825)

Millions of Yen		
Three months ended June 30,		
	2008	2009
Financing activities		
(Decrease) increase in short-term loans	—	¥2,633
Proceeds from short-term loans	¥1,567	—
Repayment of short-term loans	(1,261)	—
Repayment of long-term debt	(252)	(508)
Proceeds from disposition of treasury stock	0	0
Purchase of treasury stock	(3)	(2)
Cash dividends paid	(793)	(584)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(90)	(106)
Net cash used in financing activities	(833)	1,433
Effects of exchange rate changes on cash and cash equivalents	(73)	111
(Decrease) increase in cash and cash equivalents	(2,854)	5,782
Cash and cash equivalents at beginning of the year	11,482	7,031
Increase cash and cash equivalents resulting from initial consolidation of a subsidiary	145	—
Cash and cash equivalents at end of the year	¥8,773	¥12,813

(4) Premise of Going Concern

None

(5) Segment Information

a. Industry Segments

For the three months of FY2008 (From April 1, 2008 to June 30, 2008) and the three months of FY2009 (From April 1, 2009 to June 30, 2009)

The main operations of the Company and its consolidated subsidiaries (the "Companies") are manufacturing and distributing chemical products. The Companies' operations by business segment for the three month period are not disclosed since most of the products have common characteristics, manufacturing methods, and markets.

b. Geographic Segments

For the three months of FY2008 (From April 1, 2008 to June 30, 2008)

(Millions of Yen)

	Japan	USA	China	Other	Total
Sales					
(1) Sales to third parties	30,515	1,277	2,269	430	34,492
(2) Sales from inter-segment transactions and transfers	1,165	3	64	-	1,233
Total	31,680	1,281	2,334	430	35,726
Operating income (loss)	1,116	(130)	(35)	(25)	924

	Elimination or Common assets	Consolidated Total
Sales		
(1) Sales to third parties	-	34,492
(2) Sales from inter-segment transactions and transfers	(1,233)	-
Total	(1,233)	34,492
Operating income	50	975

For the three months of FY2009 (From April 1, 2009 to June 30, 2009)

(Millions of Yen)

	Japan	USA	China	Other	Total
Sales					
(1) Sales to third parties	23,592	644	2,080	224	26,542
(2) Sales from inter-segment transactions and transfers	757	-	81	-	839
Total	24,350	644	2,161	224	27,381
Operating income (loss)	842	(134)	226	(60)	874

	Eliminations or Common assets	Consolidated Total
Sales		
(1) Sales to third parties	-	26,542
(2) Sales from inter-segment transactions and transfers	(839)	-
Total	(839)	26,542
Operating income (loss)	(17)	857

c. Sales to Foreign Customers

For the three months of FY2008 (From April 1, 2008 to June 30, 2008)

(Millions of Yen)

	Asia	(of which, China)	America	Other	Total
I. Overseas sales	6,341	(3,331)	1,963	2,526	10,831
II. Consolidated sales	-	-	-	-	34,492
III. Percentage of overseas sales to consolidated sales	18.4%	(9.7%)	5.7%	7.3%	31.4%

For the three months of FY2009 (From April 1, 2009 to June 30, 2009)

(Millions of Yen)

	Asia	(of which, China)	America	Other	Total
I. Overseas sales	4,855	(2,758)	1,935	1,755	8,546
II. Consolidated sales	-	-	-	-	26,542
III. Percentage of overseas sales to consolidated sales	18.3%	(10.4%)	7.3%	6.6%	32.2%

Notes:

1. The term "overseas sales" refers to sales of the parent company and its consolidated subsidiaries registered in countries and regions outside Japan.
2. Areas included in each country or region are determined based on their degree of proximity.
3. Main countries or regions included in each geographic segment
 - (1) Asia: Korea, China, Indonesia, India, and Thailand
 - (2) America: USA, Mexico, and Brazil
 - (3) Other: Australia, Europe, Russia, and the Middle East

(6) Significant Changes in Shareholders' Equity

None

6 Reference

Trend of Each Quarter Results 1 Consolidated

Previous Fiscal Year	(Millions of Yen)				
	FY 2008				
	1Q	2Q	3Q	4Q	Total
	April 2008 through June 2008	July 2008 through Sept. 2008	Oct. 2008 through Dec. 2008	Jan. 2009 through March 2009	April 2008 through March 2009
Net sales	34,492	36,554	34,014	24,494	129,555
Gross profit	5,698	5,804	4,744	2,425	18,672
Operating income	975	1,013	200	(1,548)	640
Ordinary income	1,127	1,191	213	(2,033)	498
Net income	577	627	(992)	(2,613)	(2,400)

Current Fiscal Year	(Millions of Yen)		
	FY 2009	Change	
	1Q	same term of previous fiscal year	previous term
	April 2009 through June 2009	April 2008 through June 2008	Jan. 2009 through March 2009
Net sales	26,542	(23.0%)	8.4%
Gross profit	5,084	(10.8%)	109.6%
Operating income	857	(12.1%)	—
Ordinary income	1,037	(7.9%)	—
Net income	393	(31.9%)	—

2 Non-Consolidated

Previous Fiscal Year	(Millions of Yen)				
	FY 2008				
	1Q	2Q	3Q	4Q	Total
	April 2008 through June 2008	July 2008 through Sept. 2008	Oct. 2008 through Dec. 2008	Jan. 2009 through March 2009	April 2008 through March 2009
Net sales	25,747	27,285	23,853	16,141	93,027
Gross profit	4,271	4,681	3,442	1,095	13,490
Operating income	774	1,065	91	(1,862)	69
Ordinary income	1,396	1,458	139	(1,388)	1,605
Net income	899	995	(851)	(848)	195

Current Fiscal Year	(Millions of Yen)		
	FY 2009	Change	
	1Q	same term of previous fiscal year	previous term
	April 2009 through June 2009	April 2008 through June 2008	Jan. 2009 through March 2009
Net sales	18,813	(26.9%)	16.5%
Gross profit	3,492	(18.2%)	218.7%
Operating income	310	(59.9%)	—
Ordinary income	732	(47.6%)	—
Net income	509	(43.4%)	—