

# *Challenge 10*

## **A Statement of Accounts**

**Results of 1st Half - Fiscal Year 2008  
(Six Months ended September 30, 2008)  
&  
Forecast of Fiscal Year 2008**



<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 .

We have changed accounting standard since this fiscal year,  
therefore described year on year change are reference data.

### <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 September 30, 2008. 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**

**Domestic Sales & Marketing Offices**

**: Tokyo, Osaka, Nagoya,  
Hiroshima, Fukuoka, Toyama**

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

**Number of Consolidated Employees : 1,753**

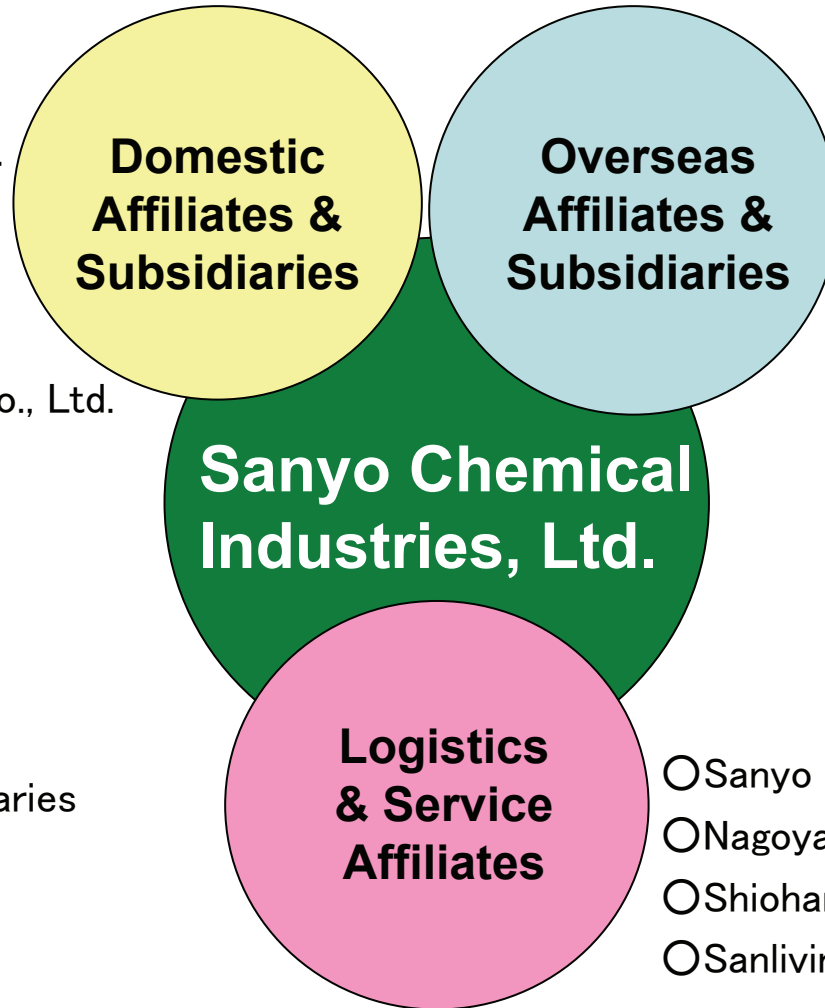
**at Sept. 30, 2008**

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

# Principal Products

Class.	Sub-category	Principal Products
Surfactants	Surfactants for textiles	Agents for textile manufacturing, agents for high-performance textiles
	Industrial Surfactants	Surfactants for hair care products, defoaming agents, dispersants
Polyurethane chemicals	Raw material polyurethane	Polypropylene glycols (PPG)
	Polyurethane resins	Thermoplastic polyurethane beads (TUB) for the interior parts of automobiles, polyurethane resins for gravure inks,
Lipophilic high-molecular agents	Lubricating oils and machining-related products	Viscosity index improvers, base materials for synthetic lubricating oil, machinery processing agents
	Coating and adhesive-related products	UV/EB curing resins, potting resins for artificial kidneys, sizing agents for fiberglass
	Copier-related products	polyester beads (PEB) used as a core component of polymerization toners, toner resins
Hydrophilic high-molecular agents	Water treatment-related products	Polymer flocculants for wastewater treatment
	Superabsorbent polymers	Superabsorbent polymers (SAP)
Specialty products	Resin and polymer modifiers	Permanent antistatic agents, pigment dispersants
	Electric/electronic-related products	Electrolytes for aluminum electrolytic capacitors, electrolytes for electric double-layer capacitors, agents for silicon wafer processing
	Others	Polymers for enhanced oil recovery, civil engineering and construction-related products
Others	—	Diagnostic reagents, chemical boards for design models

# Sanyo Chemical Group



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

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

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

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

# 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 [USA]	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



# Consolidated Results of Operations for 1st Half

Yen amounts are rounded down. Ratios are rounded off .

Billions of Yen

	FY2008 1st Half	FY2007 1st Half	Year on year change	
			Amount	Ratio(%)
Net sales	71.04	63.11	7.93	13
Operating income	1.98	2.31	(0.32)	(14)
Ordinary income	2.31	2.88	(0.56)	(20)
Net income	1.20	0.76	0.43	57
Net income per share (Yen)	10.92	6.97	3.95	57

# Analysis of Changed Consolidated Profit

Billions of Yen

Increased or decreased factor		Change amount from the same period last year	
Increase in volume		0.94	
Itemized buying & selling	Raised raw material costs	(5.42)	(0.87)
	Revised product prices	4.55	
Cost reduction		0.46	
Fixed costs, etc.		(0.85)	
Changed operating income		(0.32)	
Exchange gain and loss		(0.01)	
Equity in earnings of unconsolidated affiliates		(0.10)	
Other income or expenses		(0.13)	
Changed ordinary income		(0.56)	
Loss on investments in securities		(0.12)	
Loss on disposal of fixed assets etc.		0.06	
Income tax etc.		0.82	
Minority interests		0.23	
Net income		0.43	

# Non-Consolidated Results of Operations for 1st Half

Billions of Yen

	FY2008 1st Half	FY2007 1st Half	Year on year change	
			Amount	Ratio(%)
Net sales	53.03	46.91	6.11	13
Operating income	1.84	1.18	0.65	55
Ordinary income	2.85	2.62	0.22	9
Net income	1.89	0.86	1.03	119
Net income per share (Yen)	17.18	7.84	9.34	119

# Analysis of Changed Non-Consolidated Profit

Billions of Yen

Analysis of changed operating income from the previous fiscal year		Change amount (Billions of Yen)	
Increase in volume		0. 16	
Itemized buying & selling	Raised raw material costs	(4. 50)	0. 30
	Revised product prices	4. 80	
Cost reduction		0. 42	
Fixed costs, etc.		(0. 23)	
Changed operating income		0. 65	
Interest and dividend income		(0. 41)	
Exchange gain and loss		0. 13	
Other income (expenses)		(0. 15)	
Changed ordinary income		0. 22	
Loss on investments in securities		(0. 12)	
Loss on devaluation of investments in affiliates		0. 33	
Loss on disposal of fixed assets etc.		0. 16	
Income tax etc.		0. 44	
Net income		1. 03	

# 11 Consolidated Subsidiaries Results of Operations for 1st Half

Internal sales among Sanyo Chemical Group are not eliminated.

Billions of Yen

	FY2008 1st Half	FY2007 1st Half	Year on year change	
			Amount	Ratio(%)
Net sales	33.61	29.13	4.48	15
Operating income	0.08	1.01	(0.93)	(92)
Ordinary income	(0.00)	1.29	(1.30)	(100)

**SANYO CHEMICAL (SHANGHAI) TRADING CO., LTD.** has been included in the scope of consolidation since this fiscal year, therefore, there are 11 subsidiaries adopting consolidated accounting in total.

# SDP & SDN Results of Operations for 1st Half

Internal sales among Sanyo Chemical Group are not eliminated.

Billions of Yen

	FY2008 1st Half	FY2007 1st Half	Year on year change	
			Amount	Ratio(%)
Net sales	13.97	12.11	1.85	15
Operating income	(0.23)	0.54	(0.78)	(142)
Ordinary income	(0.27)	0.75	(1.02)	(136)

# Progress to Plan for FY 2008

Billions of Yen

<b>Consolidated</b>	FY2008 1st Half result	FY2008 1st Half plan*	FY2008 Annual plan*	Ratio of progress to plan (%)	
				to 1st Half	to annual
Net sales	71.04	68.00	146.00	104	49
Operating income	1.98	2.10	6.00	95	33
Ordinary income	2.31	2.70	7.00	86	33
Net income	1.20	1.50	4.10	80	29

Billions of Yen

<b>Non-Consolidated</b>	FY2008 1st Half result	FY2008 1st Half plan*	FY2008 Annual plan*	Ratio of progress to plan (%)	
				to 1st Half	to annual
Net sales	53.03	49.00	105.00	108	51
Operating income	1.84	1.60	4.30	115	43
Ordinary income	2.85	2.60	6.00	110	48
Net income	1.89	1.70	4.00	112	47

\* : We disclosed the plan on April 30, 2008.

# Main External Factor for our Performance

## 1. Raw Material Costs: Naphtha Price

Approx. 85% in sales volume of our raw materials are petrochemical products derived from naphtha.

### Influence of surging naphtha price on our raw material costs \*

From April through September 2008, approx. 0.2 billion yen of raw material costs increased every 1,000 yen / KL of increase in naphtha price compared to the previous fiscal year.

\* The degree of the influence considerably changes depending on the demand-and-supply balance of the moment of those materials.

## 2. Exchange Rate

The overseas sales ratio is approx. 30%. Dollar-based sales out of overseas sales is approx. 70%. A one yen appreciation of the yen against the dollar causes a decrease in net sales of approx. 0.3 billion yen per year.



# Consolidated Results of Operations for the 2nd Quarter

Yen amounts are rounded down. Ratios are rounded off .

Billions of Yen

	FY2008	FY2008	Change		FY2007	Change	
	2Q	1Q	Amount	Ratio(%)	2Q	Amount	Ratio(%)
Net sales	36.55	34.49	2.06	6	31.44	5.11	16
Operating income	1.01	0.97	0.03	4	0.83	0.17	21
Ordinary income	1.19	1.12	0.06	6	0.90	0.29	32
Net income	0.62	0.57	0.05	9	(0.26)	0.88	—

Billions of Yen

Analysis of changed operating income from the each Quarter		From 1Q FY2008		From 2Q FY2007	
Increase in volume		0.13		0.81	
Itemized buying & selling	Raised raw material costs	(2.29)	(0.52)	(3.13)	(0.35)
	Revised product prices	1.77		2.78	
Cost reduction		0.21		0.25	
Fixed costs, etc.		(0.32)		(0.54)	
Changed operating income		(0.50)		0.17	
Exchange gain and loss		(0.22)		0.21	
Other income (expenses)		(0.14)		(0.09)	
Changed ordinary income		(0.86)		0.29	

# Non-Consolidated Results of Operations for the 2nd Quarter

Yen amounts are rounded down. Ratios are rounded off .

Billions of Yen

	FY2008 2Q	FY2008 1Q	Change		FY2007 2Q	Change	
			Amount	Ratio(%)		Amount	Ratio(%)
Net sales	27.28	25.74	1.53	6	23.71	3.57	15
Operating income	1.06	0.77	0.29	38	0.47	0.58	123
Ordinary income	1.45	1.39	0.06	4	1.05	0.39	38
Net income	0.99	0.89	0.09	11	(0.25)	1.24	—

Billions of Yen

Analysis of changed operating income from the each Quarter		From 1Q FY2008		From 2Q FY2007	
Increase in volume		0.03		0.13	
Itemized buying & selling	Raised raw material costs	(1.93)	(0.03)	(2.57)	0.33
	Revised product prices	1.90		2.90	
Cost reduction		0.21		0.21	
Fixed costs, etc.		(0.15)		(0.09)	
Changed operating income		0.06		0.58	
Exchange gain and loss		0.01		0.12	
Other income (expenses)		(0.24)		(0.31)	
Changed ordinary income		(0.17)		0.39	

# 11 Consolidated Subsidiaries Results of Operations for the 2nd Quarter

Internal sales among Sanyo Chemical Group are not eliminated Billions of Yen

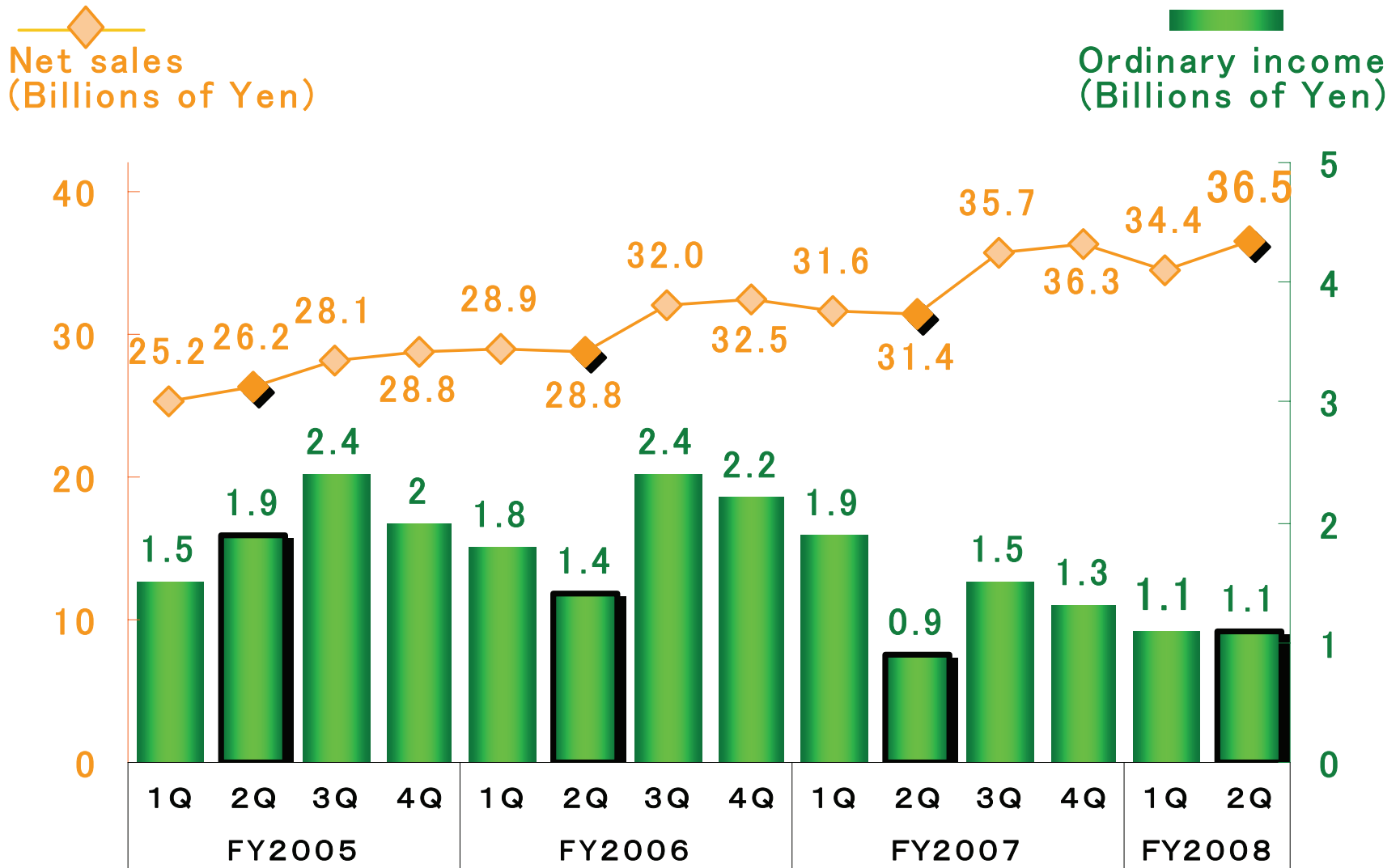
	FY2008 2Q	FY2008 1Q	Change		FY2007 2Q	Change	
			Amount	Ratio(%)		Amount	Ratio(%)
Net sales	17.02	16.58	0.43	3	14.28	2.74	19
Operating income	(0.04)	0.13	(0.18)	(138)	0.29	(0.34)	(117)
Ordinary income	0.12	(0.12)	0.25	—	0.44	(0.32)	(72)

# SDP & SDN Results of Operations for the 2nd Quarter

Internal sales among Sanyo Chemical Groupe aren't eliminated Billions of Yen

	FY2008	FY2008	Change		FY2007	Change	
	2Q	1Q	Amount	Ratio(%)	2Q	Amount	Ratio(%)
Net sales	17.02	16.58	0.43	3	14.28	2.74	19
Operating income	(0.04)	0.13	(0.18)	(138)	0.29	(0.34)	(117)
Ordinary income	0.12	(0.12)	0.25	—	0.44	(0.32)	(72)

# Consolidated Business Result Trend



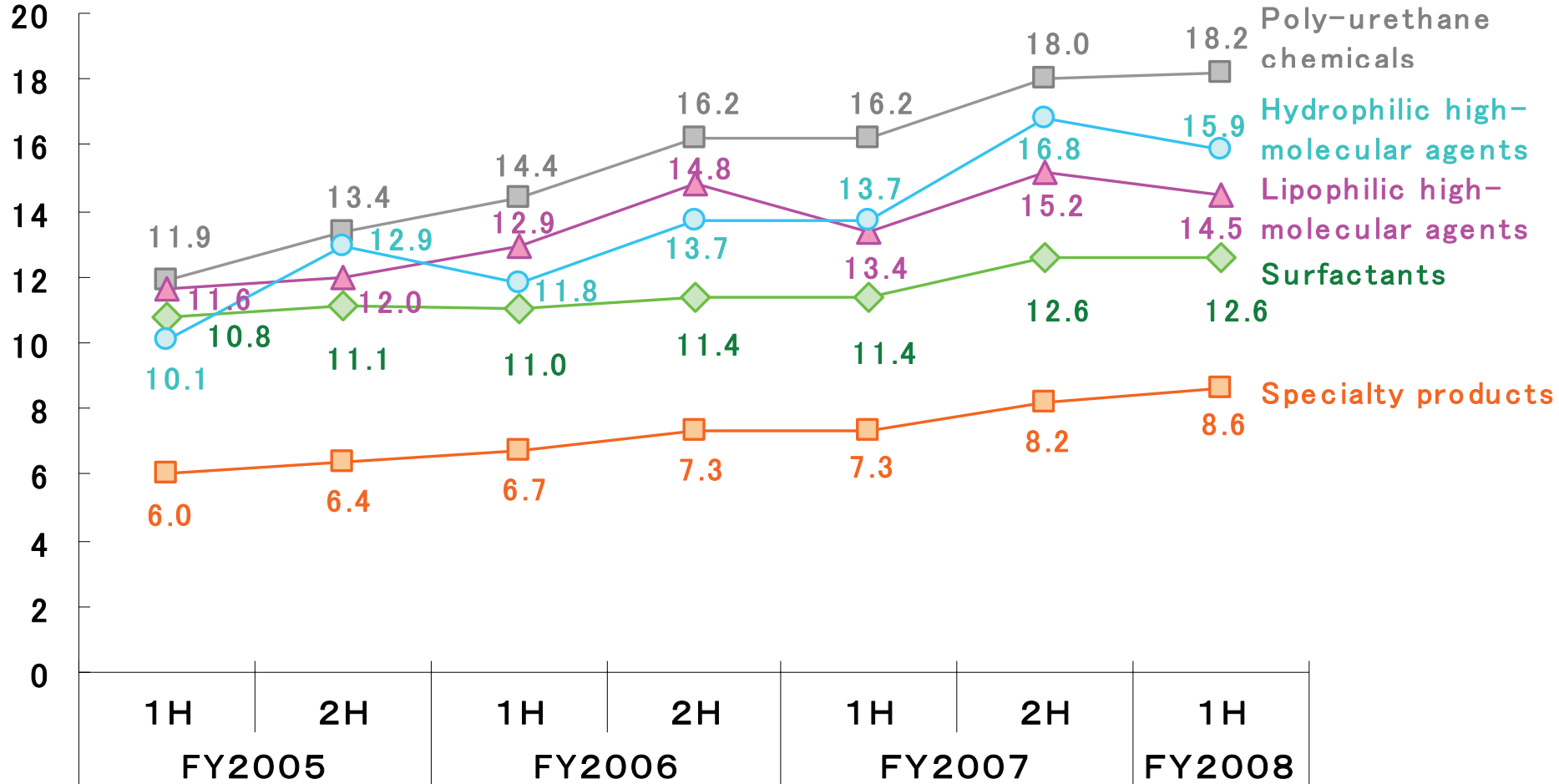
# Consolidated Net Sales by Product Group

Billions of Yen

Product group	FY2008 1H	FY2007 1H	Change	
			Amount	Ratio
<b>Surfactants</b>	<b>12.6</b>	<b>11.4</b>	<b>1.2</b>	<b>11</b>
Industrial surfactants	10.6	9.3	1.3	14
Surfactant for textile	2.0	2.0	(0.0)	(2)
<b>Polyurethane chemicals</b>	<b>18.2</b>	<b>16.2</b>	<b>1.9</b>	<b>12</b>
Raw materials for polyurethane	12.3	11.1	1.2	11
Polyurethane resins	5.8	5.0	0.7	15
<b>Lipophilic high-molecular agents</b>	<b>14.5</b>	<b>13.4</b>	<b>1.1</b>	<b>8</b>
Copier-related products	6.6	6.7	(0.1)	(2)
Lubricating oil & machine-related products	5.7	4.6	1.0	22
Coating & adhesive-related products	2.2	2.0	0.2	11
<b>Hydrophilic high-molecular agents</b>	<b>15.9</b>	<b>13.7</b>	<b>2.2</b>	<b>17</b>
Superabsorbent polymers	14.1	12.2	1.8	15
Water treatment products	1.8	1.4	0.3	27
<b>Specialty products</b>	<b>8.6</b>	<b>7.3</b>	<b>1.2</b>	<b>17</b>
Resin & polymer modifiers	3.2	2.9	0.3	10
Electric/electronic-related products	3.4	2.4	0.9	40
Others	1.9	1.9	(0.0)	(0)
<b>Others</b>	<b>0.8</b>	<b>0.9</b>	<b>(0.0)</b>	<b>(2)</b>
<b>Total</b>	<b>71.0</b>	<b>63.1</b>	<b>7.9</b>	<b>13</b>

# Consolidated Net Sale Trend by Product Group

(Billions of Yen)



# Consolidated Operating Income by Product Group

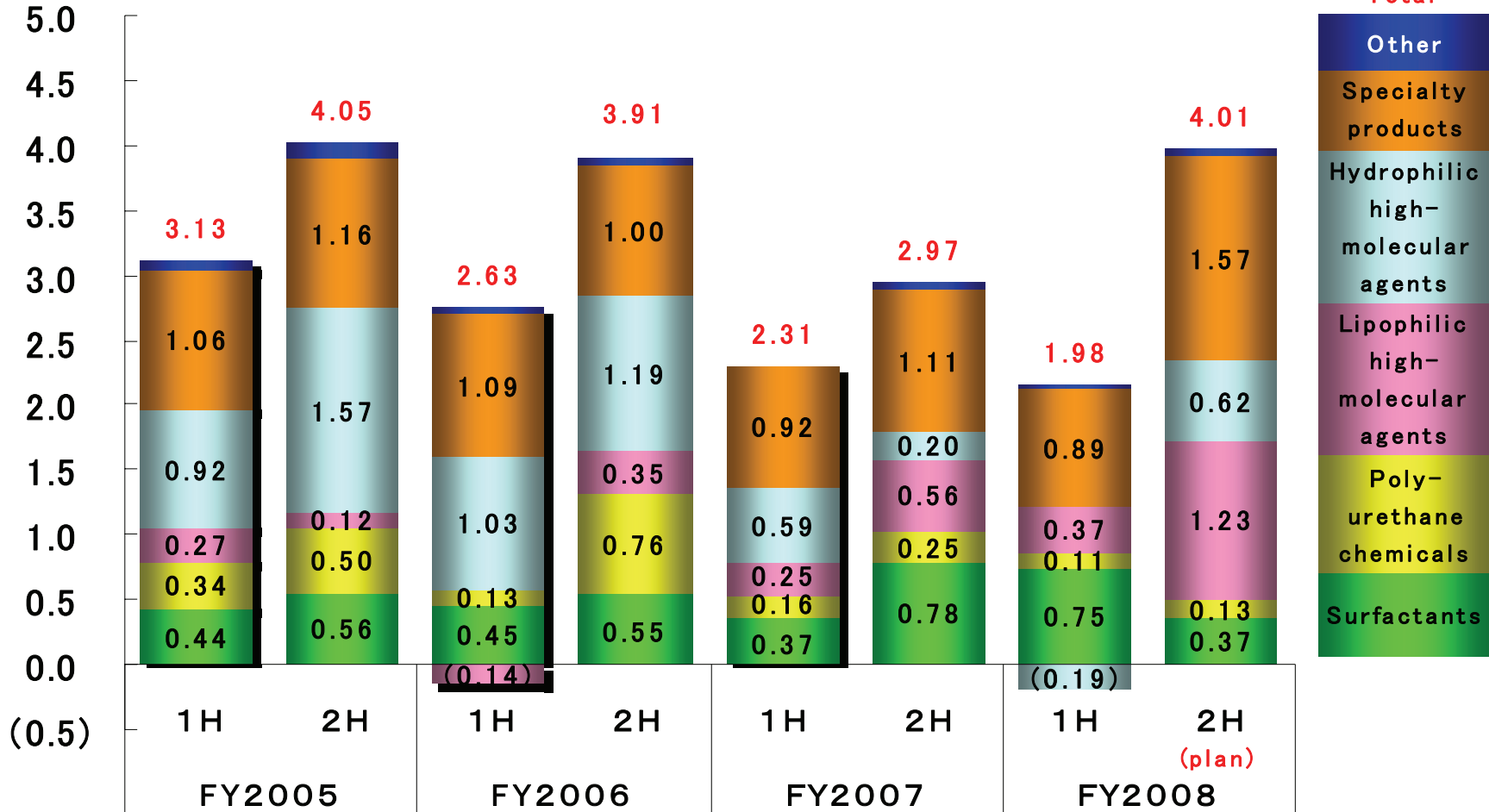
Billions of Yen

Product group	FY2008 1H	FY2007 1H	Change	
			Amount	Ratio(%)
Surfactants	0.75	0.37	0.38	103
Polyurethane chemicals	0.11	0.16	(0.04)	(30)
Lipophilic high-molecular agents	0.37	0.25	0.11	46
Hydrophilic high-molecular agents	(0.19)	0.59	(0.78)	(133)
Specialty products	0.89	0.92	(0.02)	(3)
Others	0.04	0.00	0.03	900
<b>Total</b>	<b>1.98</b>	<b>2.31</b>	<b>(0.32)</b>	<b>(14)</b>



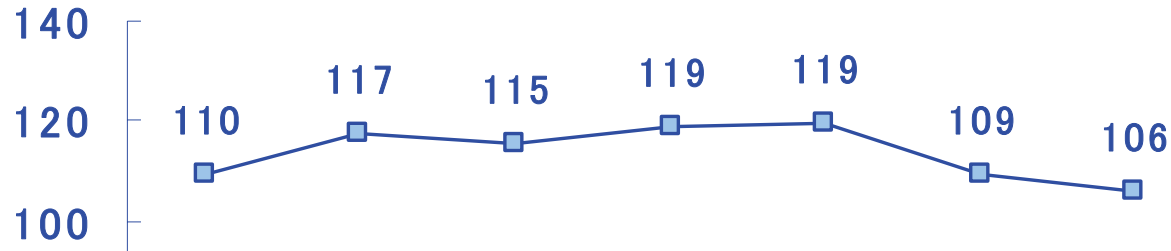
# Consolidated Operating Income Trend by Product Group

Operating income  
(Billions of Yen)



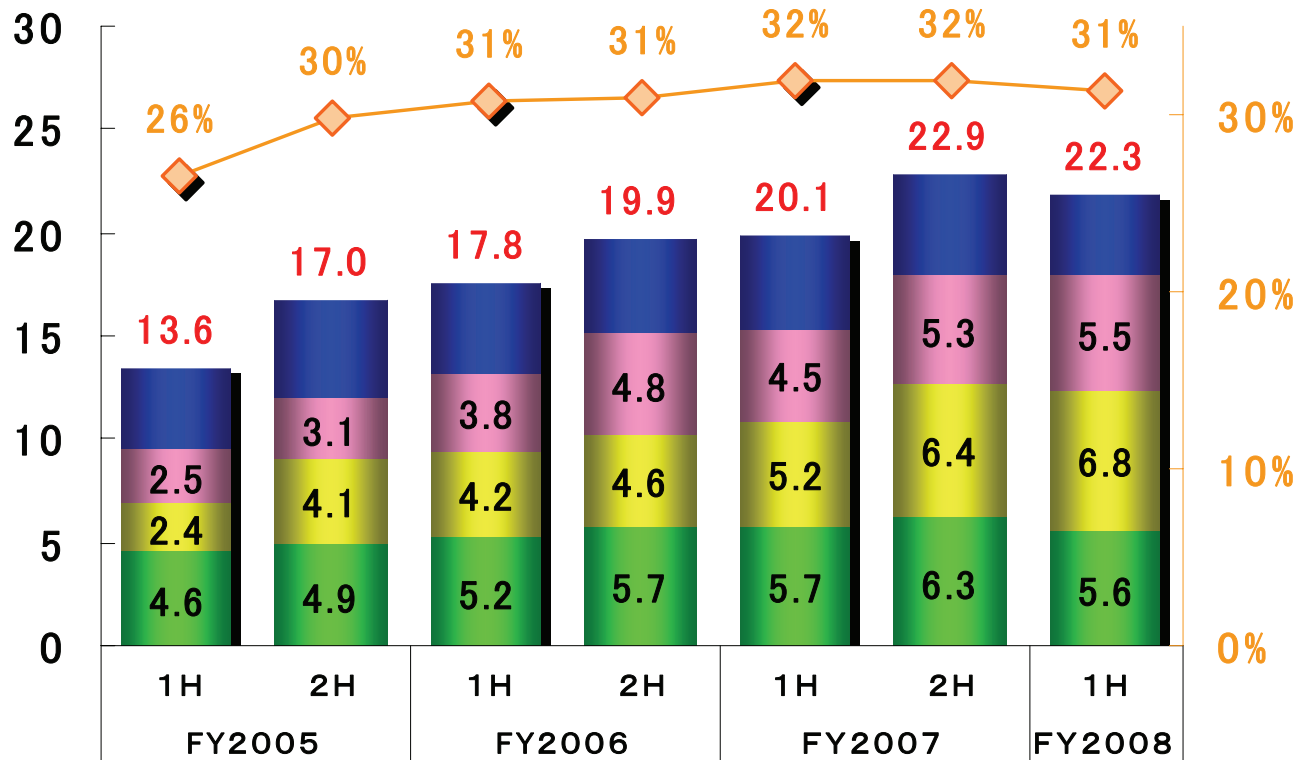
# Consolidated Overseas Sales Trend

Exchange  
(Yen/\$)



Net sales  
(Billions of Yen)

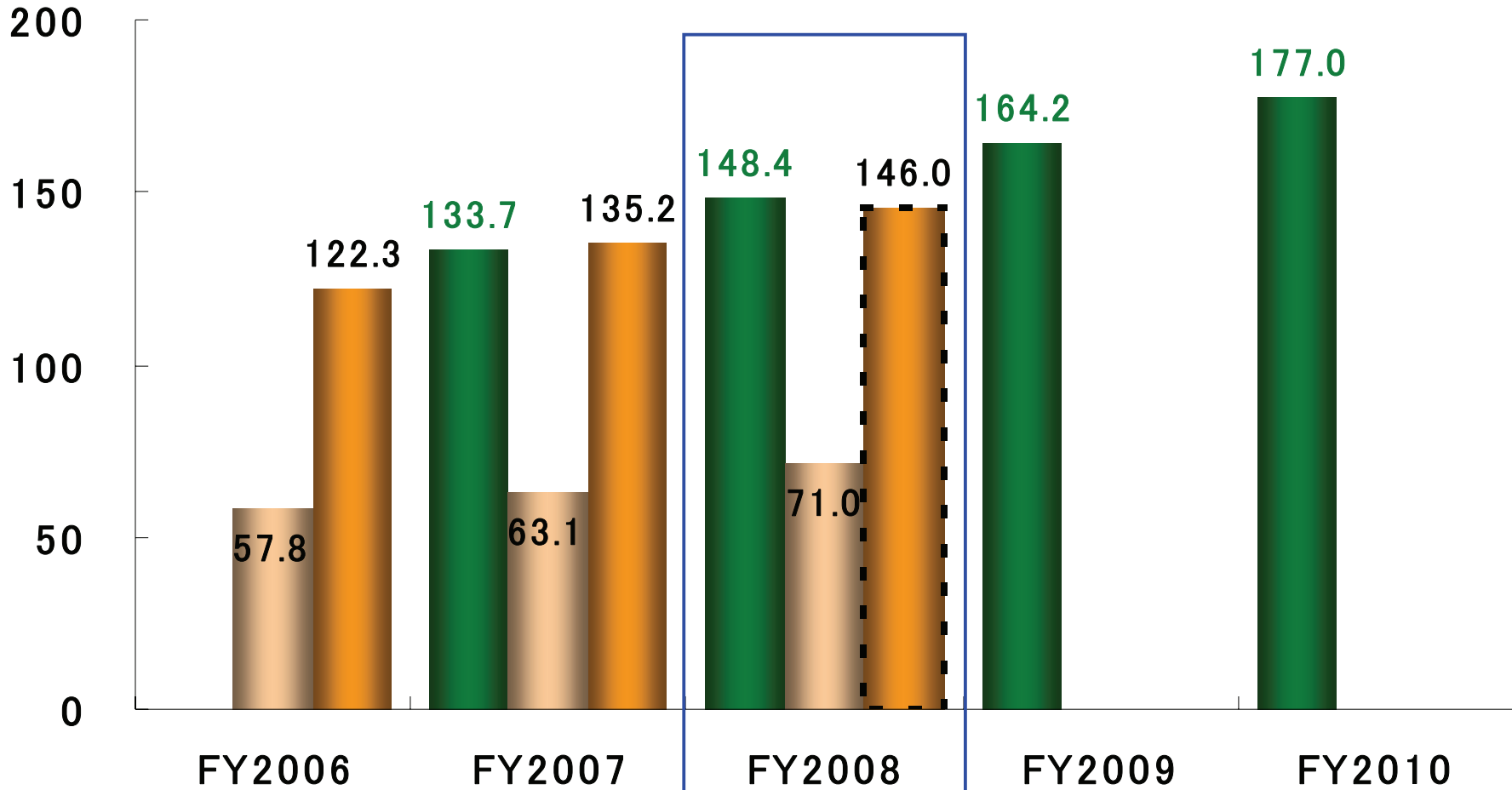
Overseas sales  
ratio



# Progress of the 7th Medium-Term Management Plan (Consolidated Net Sales)

(Billions of Yen)

■ Annual target ■ 1H result ■ Annual result & plan

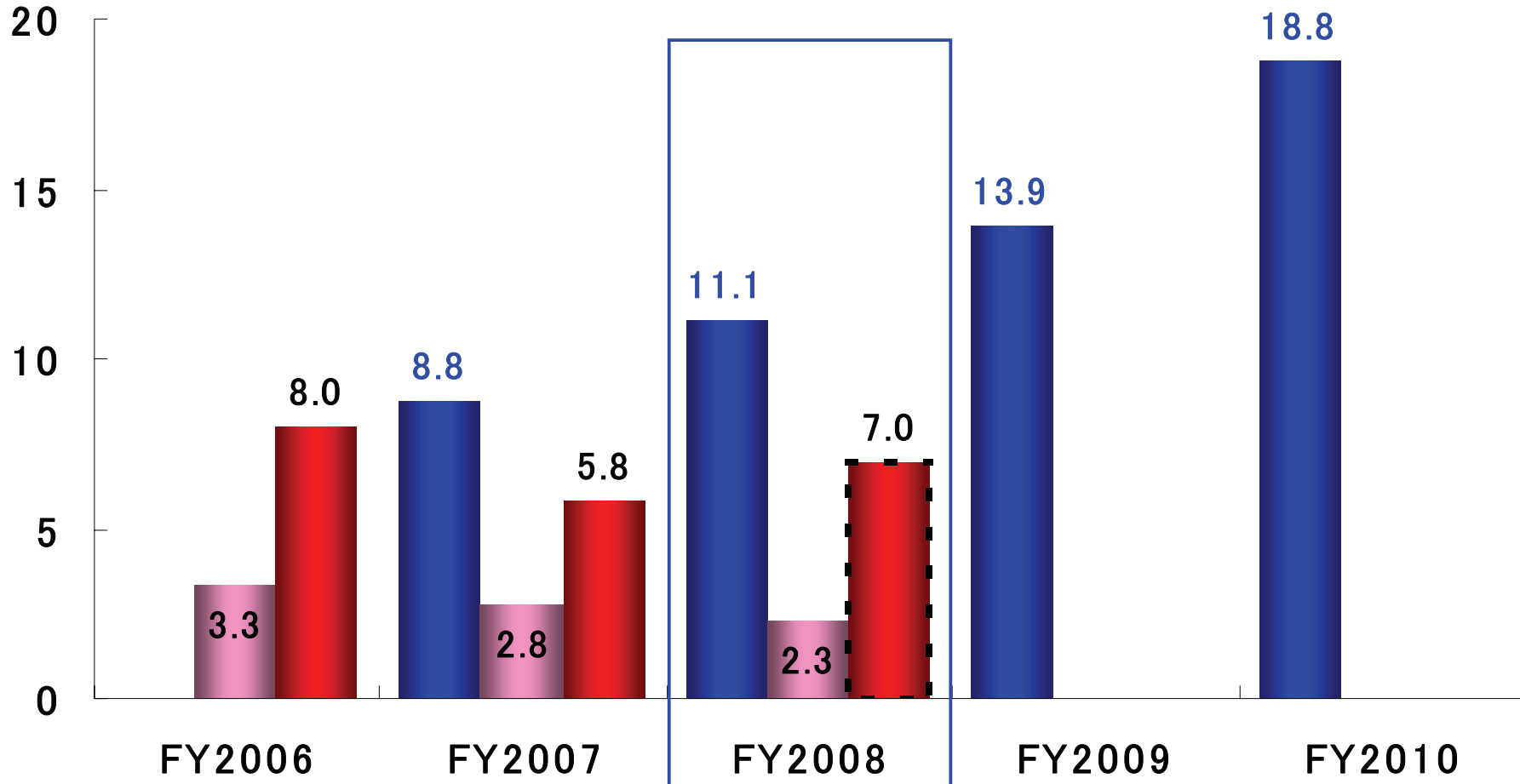


← The 7th Medium-Term Management Plan →

# Progress of the 7th Medium-Term Management Plan (Consolidated Ordinary Income)

(Billions of Yen)

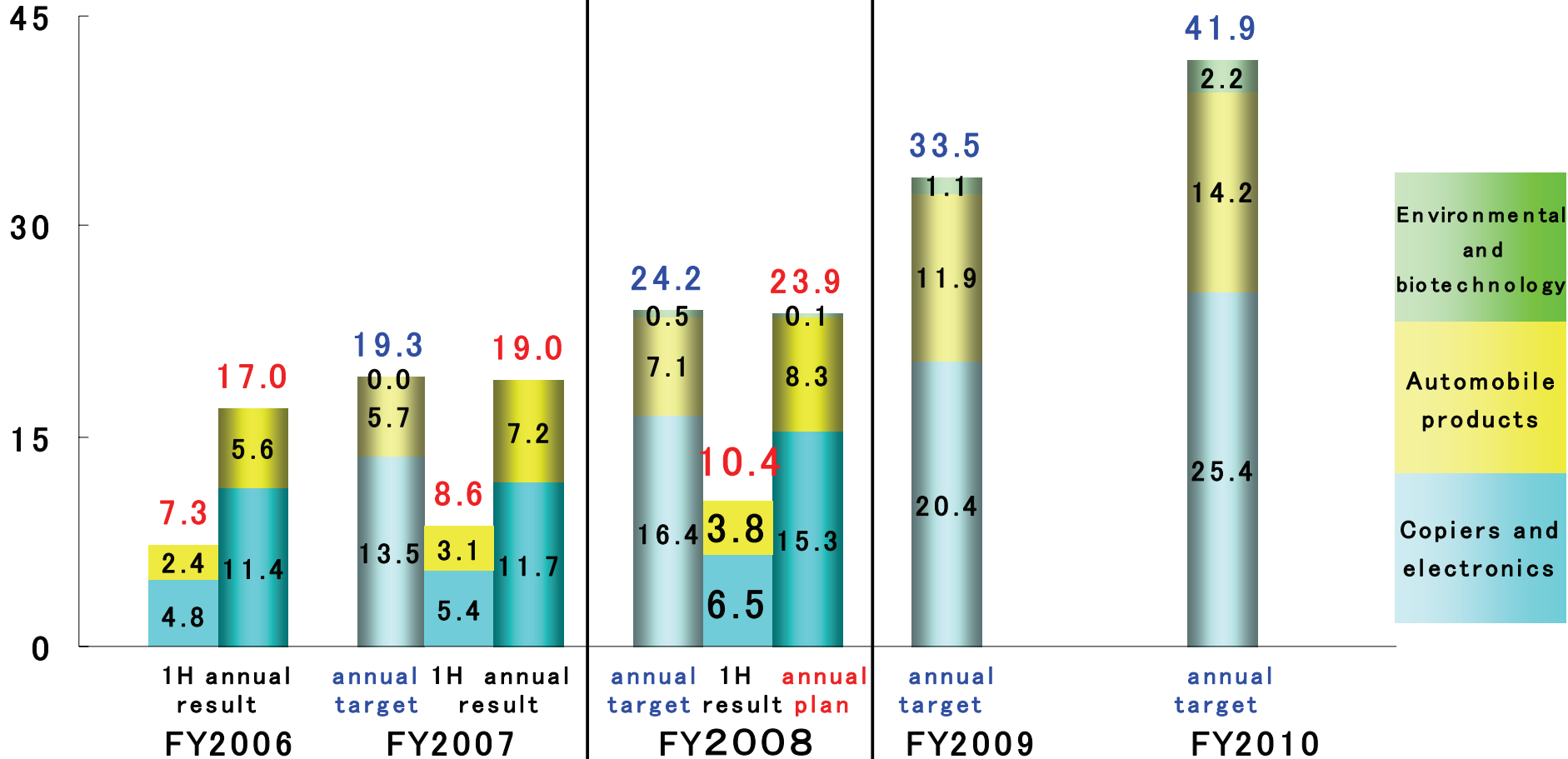
■ Annual target ■ 1H result ■ Annual result & plan



← The 7th Medium-Term Management Plan →

# Progress of the 7th Medium-Term Management Plan (Strategically Developed Products in Focus Fields)

Net Sales  
(Billions of Yen)



← The 7th Medium-Term Management Plan →

# Topics

## Beginning of Operation of Katsura Research Laboratory

Operation began in Aug. 2008.



**Location:** In Katsura Innovation Park  
(in Nishikyo-ku, Kyoto)

**Capacity:** 100 employees  
(90 employees as of Sept. 30)

**Floor space:** 6,540 m<sup>2</sup>

**Main area of R&D:** Electronics,  
environmental  
and biotechnology

*Challenge 10*

## Assignment of Dye Processing Agent Business

### Agent Business

**Aug. 2008:** Assignment agreement

**Aug. 2009:** Assignment of business completed

## Expansion of SKN

**Expansion of production facilities for industrial surfactants**



**Increased production capacity:**  
Four thousand tons per year  
(total capacity will be 17 thousand tons per year after expansion.)

**Beginning operation:** Spring in 2009

**Main items produced :** Industrial surfactants,  
agents for fiberglass

End