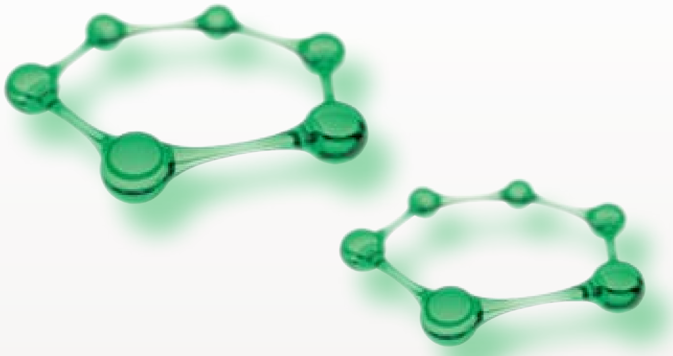
Annual Report 2012

Fiscal Year 2011: Year ended March 31, 2012

"Performance" Through Chemistry

sanyo
CHEMICAL INDUSTRIES

Company Profile



In 1949, SANYO CHEMICAL INDUSTRIES, LTD. was founded
as a surfactant manufacturer in Kyoto, Japan. Since then, guided by our Company Motto,
Let us contribute to building a better society through our corporate activities,
we have been endeavoring to continually evolve along with our changing society.
As the needs of society and industry have changed,
we have responded by introducing new technologies, designing and developing high-value-added products.

Today's Sanyo Chemical Group is not just a surfactant manufacturer,
but also a performance chemicals manufacturer with a variety of technologies and the capability to develop rapidly.
We continue to evolve as we provide chemical products (performance chemicals)
that satisfy the performance and capability requirements of our customers in various industries.

Global environmental conservation and sustainable development are both demanded by today's society.
As we continue our development of technologies and performance chemicals,
we will endeavor to make an active contribution to society as a good corporate citizen,
and will strive to become a truly unique and excellent corporate group that operates on a global scale.

Contents

Cautionary Statement with Respect to Forward-Looking Statements

This annual report includes projections of future plans, strategies and performance results of Sanyo Chemical Group.

These projections were determined by Sanyo Chemical's executives based on information available to them at the time of writing. Please be advised that actual performance results may vary significantly due to a variety of factors affecting our group's sphere of business that include but are not limited to; economic climate, competitive position, changes in status of product development, related legislation and variations in exchange rates.

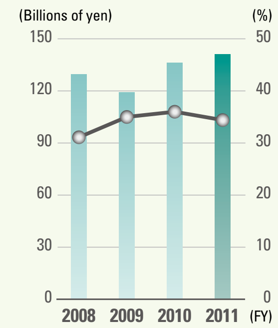
Consolidated Financial Highlights

SANYO CHEMICAL INDUSTRIES, LTD. and Consolidated Subsidiaries

	(Millions of yen)				(%)	(Thousands of U.S. dollars)
	FY2008	FY2009	FY2010	FY2011	Change (11/10)	FY2011
For the fiscal year:						
Net sales	¥129,555	¥119,193	¥136,026	**¥141,041**	3.7	**$1,717,289**
Operating income	640	6,146	9,615	**5,762**	(40.1)	**70,157**
Ordinary income	498	6,017	10,527	**6,958**	(33.9)	**84,719**
Income (loss) before income taxes and minority interests	(1,915)	5,259	9,436	**6,711**	(28.9)	**81,711**
Net income (loss)	(2,400)	2,544	5,209	**3,704**	(28.9)	**45,099**
Comprehensive income	—	6,665	6,757	**4,370**	(35.3)	**53,208**
At fiscal year-end:						
Total assets	123,901	136,991	140,817	**149,196**	5.9	**1,816,583**
Shareholders' equity	76,465	81,175	85,272	**87,296**	2.4	**1,062,900**
Per share:		(Yen)				(U.S. dollars)
Net income (loss)	(21.75)	23.06	47.22	**33.59**	(28.9)	**0.40**
Cash dividends paid	13.00	13.00	15.00	**15.00**	0.0	**0.18**
Net assets	693.00	735.79	773.06	**791.46**	2.4	**9.63**
Ratios:		(%)				
Operating income ratio	0.5	5.2	7.1	**4.1**	—	
Return (loss) on equity	(3.0)	3.2	6.3	**4.3**	—	
Shareholders' equity ratio	61.7	59.3	60.6	**58.5**	—	
Return (loss) on assets	(1.8)	2.0	3.8	**2.6**	—	

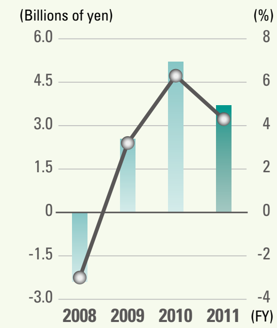
Notes: 1. U.S. dollars have been converted at the rate of ¥82.13 to US$1, the approximate exchange rate prevailing on March 31, 2012.
2. The computations of net income (loss) per share of common stock are based on the weighted average number of shares outstanding during each fiscal year.
3. Return On Asset (ROA) is calculated based on net income.

Net Sales/
Overseas Sales Ratio



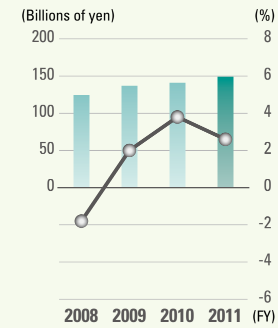
Net sales
Overseas sales ratio

Net Income (loss)/ROE



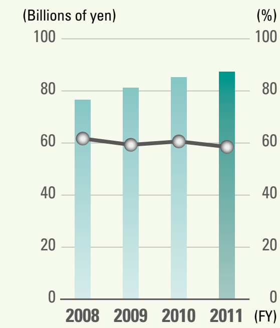
Net income (loss)
ROE

Total Assets/ROA



Total assets
ROA

Shareholders' Equity/
Shareholders' Equity Ratio



Shareholders' equity
Shareholders' equity ratio

Net Sales and Operating Income by Segment

SANYO CHEMICAL INDUSTRIES, LTD. and Consolidated Subsidiaries

Net Sales by Segment

	(Millions of yen)			(%)	(Thousands of U.S. dollars)
	FY2009	FY2010	FY2011	Change (11/10)	FY2011
Toiletries and Health Care	¥ 44,186	¥ 49,475	¥ 51,054	3.2	$ 621,624
Petroleum and Automotives	26,609	30,535	32,589	6.7	396,797
Plastics and Textiles	15,550	18,113	18,624	2.8	226,762
Information and Electrics/Electronics	18,502	21,744	20,504	(5.7)	249,652
Environmental Protection, Construction and Others	14,343	16,157	18,269	13.1	222,440
Total	¥119,193	¥136,026	¥141,041	3.7	$1,717,289

Note: U.S. dollars have been converted at the rate of ¥82.13 to US$1, the approximate exchange rate prevailing on March 31, 2012.

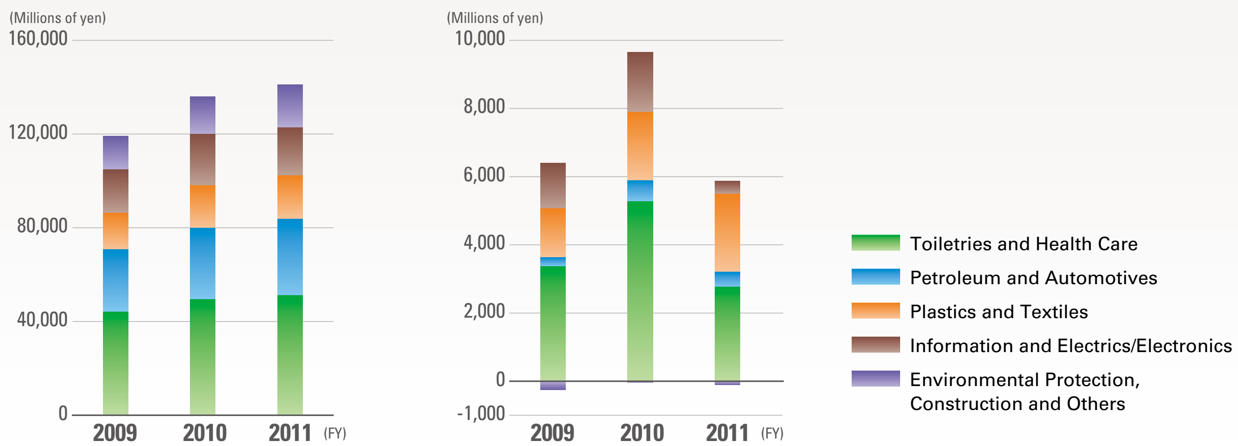
Operating Income (Loss) by Segment

	(Millions of yen)			(%)	(Thousands of U.S. dollars)
	FY2009	FY2010	FY2011	Change (11/10)	FY2011
Toiletries and Health Care	¥3,366	¥5,273	¥2,761	(47.6)	$33,617
Petroleum and Automotives	258	619	437	(29.4)	5,320
Plastics and Textiles	1,434	2,001	2,296	14.8	27,955
Information and Electrics/Electronics	1,337	1,755	378	(78.4)	4,602
Environmental Protection, Construction and Others	(250)	(34)	(111)	—	(1,351)
Total	¥6,146	¥9,615	¥5,762	(40.1)	$70,157

Note: U.S. dollars have been converted at the rate of ¥82.13 to US$1, the approximate exchange rate prevailing on March 31, 2012.

Net Sales by Segment

Operating Income (Loss) by Segment



Overseas Sales/Segment Information by Geography

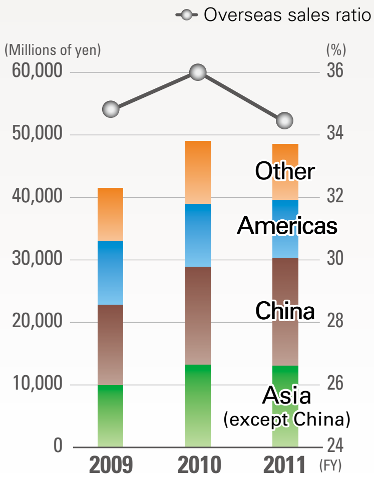
SANYO CHEMICAL INDUSTRIES, LTD. and Consolidated Subsidiaries

Overseas Sales

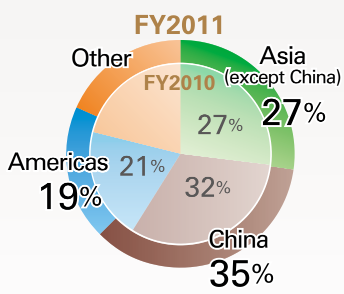
	(Millions of yen)			(%)	(Thousands of U.S. dollars)
	FY2009	FY2010	FY2011	Change (11/10)	FY2011
Asia	¥22,798	¥28,868	¥30,224	4.7	$368,001
China	12,834	15,656	17,150	9.5	208,815
Americas	10,170	10,046	9,373	(6.7)	114,123
Other	8,498	10,075	8,937	(11.3)	108,815
Total	¥41,467	¥48,990	¥48,534	(0.9)	$590,941
Sales ratio (%)	34.8	36.0	34.4		
Rate of exchange (¥/$)	93.05	83.15	82.13		

Notes: 1. U.S. dollars have been converted at the rate of ¥82.13 to US$1, the approximate exchange rate prevailing on March 31, 2012.
2. Overseas sales are the sales amounts of SANYO CHEMICAL INDUSTRIES, LTD. (unconsolidated) and its consolidated subsidiaries in countries or regions other than Japan.
3. Geographic segmentation is based on areas where our customers are concentrated.
4. Major countries or regions other than Japan 1) Asia: South Korea, China, Indonesia, India, Thailand and others 2) Americas: USA, Mexico, Brazil and others 3) Other: Australia, Europe, Russia, Middle East and others.

Overseas Sales



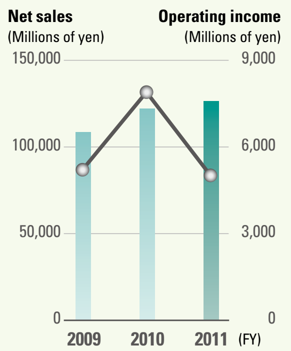
Breakdown of Overseas Sales by Region



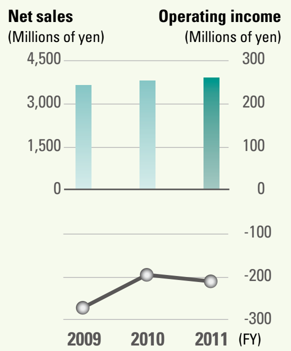
Segment Information by Geography (net sales & operating income)

Net sales Operating income

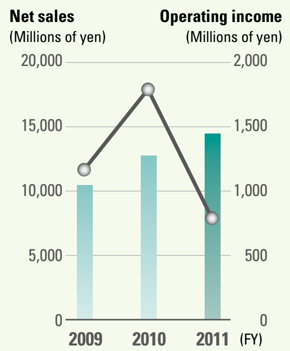
Japan



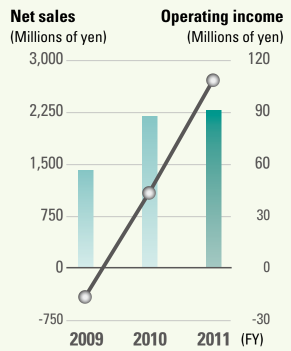
USA



China



Other



Note: Geographic segmentation is based on areas where our consolidated subsidiaries and affiliates are concentrated.

Business Review

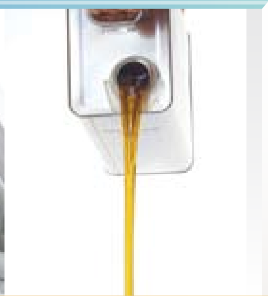
Product Group (segment)	Principal Products

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, Enzyme immunoassay (EIA) diagnostic reagents, potting resins for artificial kidneys

Petroleum and Automotives

Petroleum and Automotives
Thermoplastic polyurethane beads for interior parts of automobiles (TUBs), raw materials for polyurethane foams, lubricating oil additives, fuel oil additives, water-soluble cutting fluids, CFC-free cleaning agents, base materials for synthetic lubricants, paste resins for design model, 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, processing agents for semiconductors, agents for use in hard disk manufacturing, UV/EB curing resins

Environmental Protection, Construction and Others


Environmental Protection, Construction and Others
Polymer flocculants for wastewater treatment, polyurethane for heat-insulating materials, slurry agents, reactive hot-melt adhesives

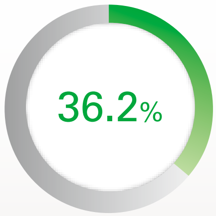
Review of FY2011

Sales Amount Composition Ratio of FY2011

Sales in the Toiletries segment increased steadily. This was attributable to a substantial increase in sales of surfactants for detergents due to the growing popularity of liquid detergents and successful new product launches. In addition, sales of surfactants for hair care products increased steadily.

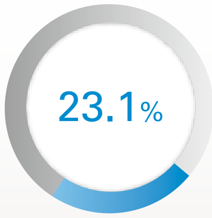
Sales in the Health Care segment increased. This was mainly because additional superabsorbent polymer production facilities with an annual production capacity of 70,000 tons built in June 2011 in China commenced operations in response to increased global demand for superabsorbent polymers used in disposable diapers.

As a result, total net sales in this segment increased by 3.2% from the previous fiscal year, to ¥51,054 million. Operating income was ¥2,761 million (a 47.6% decrease from the previous fiscal year), reflecting rising raw material and fuel costs and the appreciation of the yen.



Sales in the Petroleum and Automotives segment increased steadily. Sales of raw materials for polyurethane foams used mainly in automobile seats increased steadily, thanks to an upturn in automobile production. In addition, sales of lubricating oil additives increased substantially in response to increased demand for lubricating oils used in fuel-saving engine oils, as well as new product launches suitable for such uses.

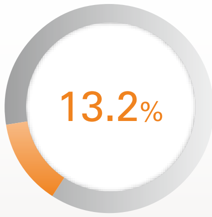
As a result, total net sales in this segment increased by 6.7% from the previous fiscal year, to ¥32,589 million. Operating income was ¥437 million (a 29.4% decrease from the previous fiscal year) due to the appreciation of the yen and an increase in depreciation and amortization because of investments in plant and equipment.



Sales in the Plastics segment increased slightly. This was mainly because sales of paint and coating agents increased, and the carrying out of some consignment production on behalf of quake-hit manufacturers. However, demand for permanent antistatic agents used in the production of packaging materials for electronic components decreased in the third quarter.

Sales in the Textiles segment increased steadily due to an increase in demand, mainly from overseas for agents for synthetic fibers used in the production of automobile airbag and tire cord yarns, and agents for fiberglass, as well as in demand from Japan and overseas for agents for carbon fibers and synthetic leather, and polyurethane for elastomer fibers.

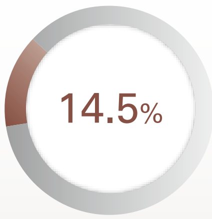
As a result, total net sales in this segment increased by 2.8% from the previous fiscal year, to ¥18,624 million. Operating income was ¥2,296 million (a 14.8% increase from the previous fiscal year).



Sales in the Information segment remained at the same level. This was mainly because demand was steady for both resins for pulverized toners and for polyester beads used as a core component of polymerization toners. However, one of our production sites, the Kashima Factory in Kamisu City, Ibaraki Prefecture, was damaged in the Great East Japan Earthquake, so it was not able to maintain sufficient production and distribution levels in the first half of the first quarter.

Sales in the Electrics/Electronics segment were weak due to a significant decrease in demand for flat panel display (FPD) resins and a sudden decrease in demand for electrolytes for aluminum electrolytic capacitors and for silicon wafer processing agents starting in the third quarter.

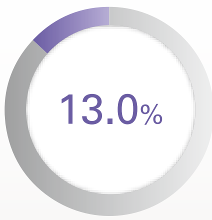
As a result, total net sales in this segment decreased by 5.7% from the previous fiscal year, to ¥20,504 million. Operating income was ¥378 million (a 78.4% decrease from the previous fiscal year).



Sales in the Environmental Protection segment remained at the same level. Although we were able to complete a marketing launch for new cationic polymer flocculants, we were unable to ship sufficient volume of the products in the first half of the first quarter due to the shutdown of production facilities at the Kashima Factory caused by the Great East Japan Earthquake, resulting in a decrease in sales volume.

Sales in the Construction segment increased substantially. This was mainly because sales of raw materials for polyurethane foams used in furniture and heat insulating materials increased both in Japan and overseas. In addition, we carried out some consignment production on behalf of quake-hit manufacturers, which contributed substantially to the increase in sales. Moreover, sales of both raw materials for building sealants and cement dispersants increased substantially due to higher demand for maintenance, repair and renovation work as a result of the massive earthquake.

As a result, total net sales in this segment increased by 13.1% from the previous fiscal year, to ¥18,269 million. An operating loss of ¥111 million (compared to an operating loss of ¥34 million from the previous fiscal year) was recorded due to persistently high raw material and fuel costs and an increase in depreciation and amortization at the Kinuura Factory.



To Our Shareholders and Investors

We would like to thank our shareholders and investors for their continued support and understanding and extend our best wishes to all.

We would like to report on Sanyo Chemical Group’s business activities in FY2011 (April 1, 2011 to March 31, 2012), and policies for FY2012.

We ask for the continued support and cooperation of our shareholders and investors.

Takao Ando
President, Representative Director

Q How did Sanyo Chemical Group perform in FY2011?

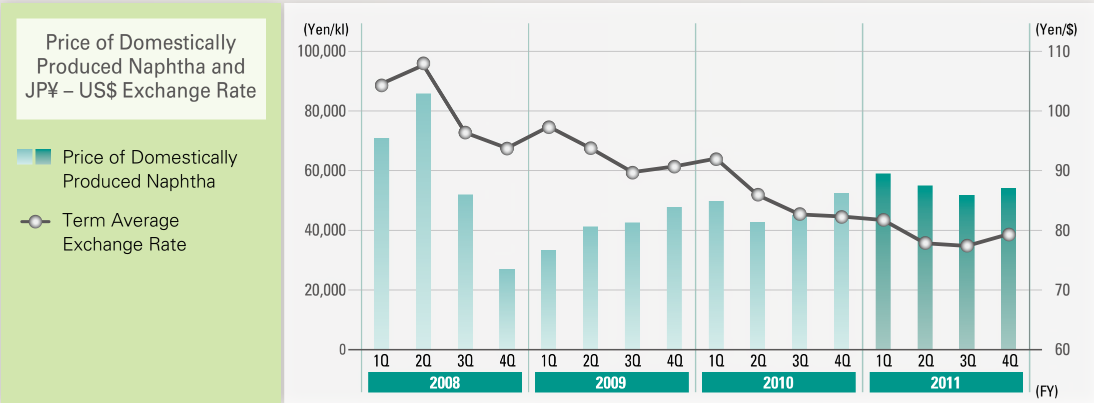
A During FY2011, with the protracted appreciation of the yen, floods in Thailand, and the economic slowdown in Europe caused by credit uncertainties, the operating environment of the Japanese economy remained harsh, although it is gradually recovering from the effects of the Great East Japan Earthquake.

Operating conditions likewise remained difficult in the chemical industry, with raw material and fuel costs exceeding those of FY2010.

Despite these operating conditions, net sales came to ¥141.0 billion, up 3.7% from the previous fiscal year. In terms of profit, however, operating income decreased 40.1% from the previous fiscal year to ¥5.7 billion, ordinary income decreased 33.9% to ¥6.9 billion, and net income decreased 28.9% to ¥3.7 billion. The primary factors behind these declines were higher raw material and fuel costs than in FY2010, the appreciation of the yen, and increased depreciation and amortization from capital investments at the new higher capacity plant at San-Dia Polymers (Nantong) Co., Ltd., and our domestic Kinuura and Kashima factories.

As a result, net income per share was ¥33.59 compared with ¥47.22 in the previous fiscal year and return on equity (ROE) decreased to 4.3% from 6.3% in the previous fiscal year.

Price of Domestically Produced Naphtha and JP¥ – US$ Exchange Rate



Q What are your thoughts about the new structure over the past fiscal year?

A Amid calls for prompt rebuilding after the Great East Japan Earthquake, this has been a year in which the Sanyo Chemical Group's operating environment has changed incessantly, as witnessed by the floods in Thailand, the economic slowdown in Europe, and other such events. This has also been a year in which we asked ourselves how we can rapidly respond to change.

As an R&D intensive enterprise, the source of Sanyo Chemical's growth lies in our ability to swiftly and unerringly understanding the needs of customers while creating value in a timely manner by combining our seed technologies to create new products. To that end, Sanyo Chemical Group made greater efforts to speed up research and development by carefully selecting research themes and focusing its research capabilities. To ensure a stable product supply to customers, we implemented a multiple production base system composed of certain factories including those overseas and further accelerated our global expansion.

Through efforts taken over the past year, we have steadily improved our ability to respond to change. To become a truly unique and excellent corporate group that operates on a global scale, we will reinforce these efforts and build the foundation for growth.

Q Could you talk about the return of profits to shareholders?

A We regard increasing returns to shareholders while attempting to reinforce the corporate base for the future through an improvement in Sanyo Chemical Group's profitability as an important management responsibility. Our fundamental policy is to maintain stable dividends, targeting a payout ratio of 30% or higher.

Accordingly, we paid a year-end dividend of ¥7.50 per share, the same amount as the interim dividend paid in December of last year.

In FY2012, we also plan to pay an interim and year-end dividend of ¥7.50 per share each (total annual dividend of ¥15.00) to maintain stable dividend payments.

Japan's economic outlook remains increasingly uncertain, but we will continue our commitment to enhancing corporate value in order to further increase returns to shareholders.

Q Could you tell us about the current status of the Eighth Medium-Term Management Plan?

A We started the Eighth Medium-Term Management Plan in FY2011 as a plan to guide us to the Group's new management goals and future. Under the slogan "Challenge 2000 & 200," we seek to achieve consolidated net sales of ¥200 billion or higher, operating income of ¥20 billion or higher, and return on assets (ROA*1) of 12% or higher by FY2014, the final fiscal year of the plan.

In FY2011, the first year of the plan, we fell slightly behind our net sales and operating income targets. The reasons for this were varied but included the global economic downturn, slack sales of high profit margin products, such as Strategically Developed Products (Strategic Products*2), which we expect to be the driving force behind higher profitability and business expansion, and the limited operations at the expanded superabsorbent polymer (SAP) production facilities in China.

*1 In the Eighth Medium-Term Management Plan, return on assets (ROA) is calculated based on operating income, and not net income.
*2 Refers to the products developed and those that are being developed on a priority basis so as to improve profitability and expand business, mainly for the automotive, information and electronic materials, as well as toiletries and health care segments.

Q What about future business expansion?

A Preparations for expanding the business foundation to achieve our Eighth Medium-Term Business Plan targets are moving steadily ahead with the completion of pilot plants that incorporate new processes for producing our products (e.g., raw materials for polyurethane foams, toner materials) and the start of market development, and the steady raising of the operating rate of expanded SAP production facilities in China. We will continue to concentrate management resources on Strategic Products and execute bold organizational reforms to quickly catch up with our Eighth Medium-Term Management Plan targets. In addition, we will promote globalization throughout Sanyo Chemical Group and train global personnel.

Q What plans does Sanyo Chemical Group have for FY2012?

A In addition to the protracted appreciation of the yen and the European financial crisis, the Japanese economy faces increasing future uncertainties including raw material and fuel costs, which had again risen and continued to increase, but have recently declined.

To overcome these difficulties and make a new leap forward, Sanyo Chemical Group must undertake drastic forward-looking corporate reforms.

Sanyo Chemical Group will take this situation fully into account, and will steadily implement the following main policies and measures, drastically reform our business structure, and reinforce our foundation in order to recover profitability and achieve earnings growth.

1. Select product and technical development items and concentrate our strengths
2. Enhance production innovation continuously
3. Promote globalization
4. Strengthen Group management

We will enhance management's governance functions, which we view as one of our top-priority management issues, and focus on achieving strict compliance and improving the internal control system.

Guided by our Company Motto, *Let us contribute to building a better society through our corporate activities*, we will challenge ourselves to become a truly unique and excellent corporate group that operates on a global scale, the corporate image to which we aspire.

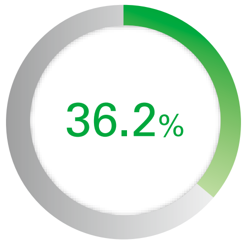
I look forward to our shareholders' and investors' continued support and cooperation.

Toiletries and Health Care

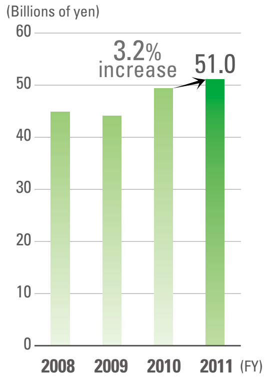
Organization in charge

- ■ Toiletry, Detergent & Textile Division
- ▨ Medical Care Intracorporation
- ▨ SAP Application Intracorporation
- □ San-Dia Polymers, Ltd. □ SAN NOPCO LIMITED
- □ San Chemical Co., Ltd.
- □ San-Dia Polymers (Nantong) Co., Ltd.

▶ Sales Amount Composition Ratio



▶ Net Sales



Overview

In Toiletries, we market raw materials for detergents and cleaners, surfactants used in toiletry products such as shampoos and hair conditioners, and other products. Surfactants have been a core business since the foundation of Sanyo Chemical.

Sales of products for this segment are handled by the Toiletry, Detergent & Textile Division.

Superabsorbent polymers (SAPs) are the main product of the Health Care segment. They are indispensable for the manufacture of disposable diapers, for which demand is growing rapidly worldwide, particularly in emerging countries.

Our SAPs are produced and marketed by San-Dia Polymers, Ltd., a joint venture with Mitsubishi Chemical Corporation, and San-Dia Polymers (Nantong) Co., Ltd., a subsidiary of San-Dia Polymers Co., Ltd.

Toiletries

Review of FY2011

In recent years, powdered laundry detergents have been replaced by liquid laundry detergents, therefore surfactants for liquid detergents have grown in importance. Given this trend, Sanyo Chemical is leveraging its long years of experience and deep technological know-how to build market share.

Future plans

We will actively upgrade marketing channels to boost sales in emerging countries, where economic growth is expected to push up demand for detergents and toiletry products.

Health Care

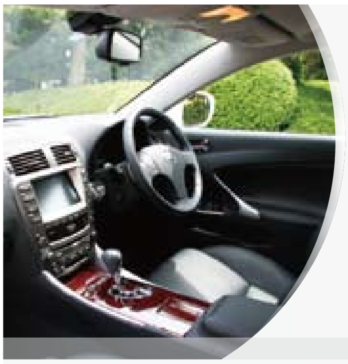
Review of FY2011

In June 2011, we doubled SAP production capacity in China, where demand is growing rapidly. We commenced sales of a new product line, SANWET SG, which enables disposable diapers to be made thinner.

Future plans

We will increase the rate of operation of new facilities in China, to respond to growth in demand.

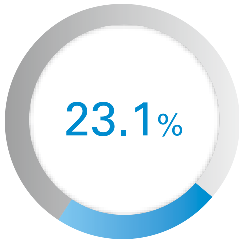
Petroleum and Automotives



Organization in charge

- ■ Transport Division
- ■ Petroleum & Environment Division
- □ San Chemical Co., Ltd.
- □ Sanyo Chemical Texas Industries, LLC

▶ Sales Amount Composition Ratio

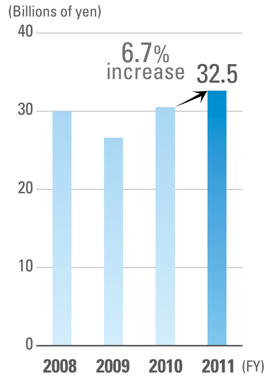


Overview

In Petroleum and Automotives, our products are principally sold for automotive applications. They include the raw material polypropylene glycol (PPG) for polyurethane foams used in automobile seats, thermoplastic polyurethane beads (TUBs) for the interior parts of automobiles including instrument panels, and viscosity index improvers used in lubricating oils for automobiles.

In this segment, PPG and TUBs are handled by the Transport Division, and viscosity index improvers are handled by the Petroleum & Environment Division.

▶ Net Sales



Petroleum and Automotives

Review of FY2011

Despite the effects of decreased automotive production caused by the Great East Japan Earthquake and floods in Thailand, brisk sales of lubricating oil additives offset these negatives and net sales increased.

Sanyo Chemical's lubricating oil additives, used mainly in automatic transmission fluids (ATFs) and continuously variable transmission fluids (CVTFs), extended their applications into the field of engine oils, to meet customers' needs for improved automotive fuel efficiency. As a result, lubricating oil additives have become one of our most popular products.

Future plans

We will continue to add functional value to PPG products, for which we began operating a new production line at the Kinuura Factory in Aichi Prefecture in October 2010, to meet customers' needs for improved automotive fuel efficiency and expand sales in Japan and overseas.

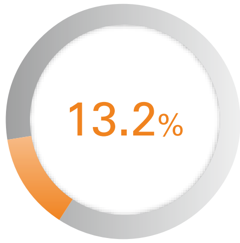
Likewise, in lubricating oil additives, for which demand is growing, we plan to increase production capacity by 80% between 2011 and 2012, to meet increasing demand. We will continue to develop and supply high-performance products that meet the needs of these changing times.

Plastics and Textiles

Organization in charge

- Resins & Coloring Materials Division
- Toiletry, Detergent & Textile Division
- Polymer Application Intracorporation
- SAN NOPCO LIMITED
- Sanyo Kasei (Nantong) Co., Ltd.

▶ Sales Amount Composition Ratio



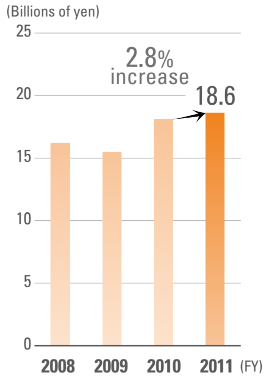
Overview

In Plastics, we market a broad range of value-added products for plastics used in many everyday applications.

In recent years, we have focused on permanent antistatic agents that prevent malfunctions in electronic components and keep dust out of plastics. Leveraging their long-lasting effectiveness, we have expanded their applications.

In Textiles, a business that dates right back to the beginnings of the Sanyo Chemical, the principal products we handle are spin finishes and modifiers used in manufacturing processes for synthetic fibers. As well as contributing to higher value-added features in textiles, these products are increasingly used in agents used in textile manufacturing processes for industrial materials, including production of airbag yarns and seat belts for automobiles and carbon fibers.

▶ Net Sales



Plastics

Review of FY2011

Permanent antistatic agents are increasingly used in packaging materials for electronic components. After entering the third quarter (October through December), sales of these products decreased due to a sluggish electronic materials market.

In the aftermath of the Great East Japan Earthquake, we carried out consignment production of some resin modifiers on behalf of quake-hit manufacturers.

Future plans

We will further expand sales by capturing new demand through the launch of new permanent antistatic agents having unique features.

Textiles

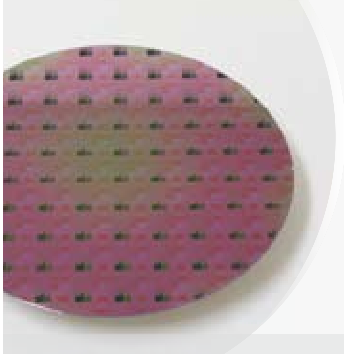
Review of FY2011

Sales of agents used in textile manufacturing processes for industrial materials, including production of airbag yarns and other final products, and agents for fiberglass increased mainly overseas. Sales of polyurethane for synthetic leather also increased while demand for value-added features in textile products increased.

Future plans

We will enhance our business performance by globally expanding our carbon fiber agents business, for which new demand is anticipated in the aircraft and automotive industries.

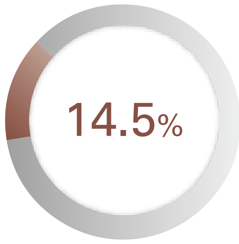
Information and Electrics/Electronics



Organization in charge

- ■ Information & Electronic Materials Division
- □ Sanyo Chemical & Resins, LLC

▶ Sales Amount Composition Ratio

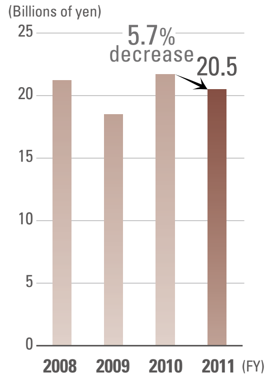


Overview

In Information, we market polyester beads (PEBs) used as a core component of polymerization toners, along with pulverized toner resins for copiers and printers.

In Electrics/Electronics, we market electrolytes for aluminum electrolytic capacitors used for home appliances, personal computers and electrical components for automobiles, agents for use in hard disk manufacturing processes, as well as silicon wafer processing agents.

▶ Net Sales



Information

Review of FY2011

Sales were weak mainly because the Kashima Factory, a production facility, was hit by the Great East Japan Earthquake and the economy worsened from the third quarter (October through December) on.

Future plans

We will focus on further improving the performance of PEBs, while developing winning products amid fierce global competition in pulverized toner resins, which are expected to see stronger global demand on the back of economic growth in emerging countries.

Electrics/Electronics

Review of FY2011

Sales of silicon wafer processing agents and other products were weak following the rapid economic downturn in the home appliance and electronic material industries.

Future plans

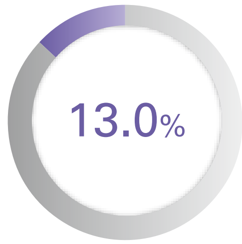
We will focus on electrolytes for aluminum electrolytic capacitors, electrolytes for electric double-layer capacitors, which are expected to be widely used in hybrid and electric cars, and other products. A clean production facility for agents for use in hard disk manufacturing processes was built at a subsidiary in Thailand, thereby strengthening our supply system for the ASEAN region, where many of our customers are concentrated.

Environmental Protection, Construction and Others

Organization in charge

- Transport Division
- Petroleum & Environment Division
- Construction Systems and Materials Intracorporation
- San Chemical Co., Ltd.

▶ Sales Amount Composition Ratio

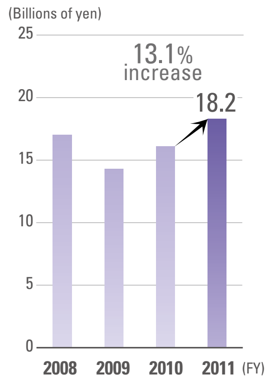


Overview

In Environmental Protection, we market polymer flocculants for wastewater treatment, which accelerate industrial wastewater sedimentation, and slurry agents used in underground excavation.

In Construction, we market PPG used in applications such as sofa cushions and heat insulating materials.

▶ Net Sales



Environmental Protection

Review of FY2011

Market conditions remain severe for polymer flocculants for wastewater treatment, due to intensified competition. Sales of cationic monomers (raw materials for polymer flocculants) were weak due to the stoppage of the Kashima Factory's production facilities in the aftermath of the Great East Japan Earthquake.

Future plans

We expect competition to further intensify in this segment. In response, we plan to improve the performance of our polymer flocculants for wastewater treatment, and carry out drastic reforms such as expanding overseas sales of cationic monomers.

Construction

Review of FY2011

Stepped-up marketing drove sales growth for PPG used in furniture and heat insulating materials. Sales likewise increased for cement dispersants and for raw materials for building sealants owing to sales promotion and higher demand for maintenance, repair, and renovation work due to the Great East Japan Earthquake.

Future plans

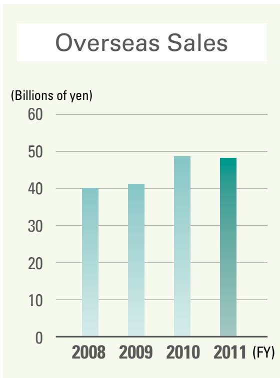
The focus is on developing high-performance PPG products, to ensure success in fierce global competition.

Purchasing Division

Business activities of the Purchasing Division are rooted in five basic policies: (1) fair and equitable dealings, (2) a global perspective, (3) material quality, costs and stable supplies, (4) green procurement, and (5) CSR (Corporate Social Responsibility)-based procurement. In FY2011, to secure the needed quantities of raw materials that became difficult to procure due to the Great East Japan Earthquake, we introduced new suppliers with the cooperation of each of our factories. To enhance our CSR activities, we initiated an exchange of ideas with our suppliers. We will promote global procurement with the collective efforts of the Purchasing Division, especially the Purchasing Planning Section, to ensure stable procurement of raw materials at competitive prices. At the same time, we will continue to work together with our suppliers to enhance CSR activities across the entire supply chain.

International Project Promotion Division

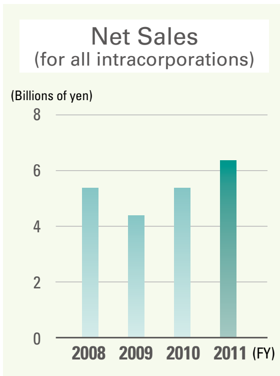
The International Project Promotion Division is in charge of coordination of overseas production sites and sales offices, while promoting the globalization of business operations. In FY2011, we increased the capacity of our production facilities in China at Sanyo Kasei (Nantong) Co., Ltd. and in Thailand at Sanyo Kasei (Thailand) Ltd., and began operations at these facilities in the spring of 2012. This will enable us to meet the local supply needs of customers and to further expand our business. Moreover, we are now launching a project that will mobilize the marketing capabilities of both our Head Office and local subsidiaries to further promote sales in China and the ASEAN region. Also, Sanyo Chemical & Resins, LLC,, one of our production sites in North America, is scheduled to begin operations of its new production facilities for new products this summer.



Intracorporations (in-house venture programs)

Intracorporations are development-oriented internal corporate ventures with sales and marketing, research and development, and if necessary production capabilities. Intracorporations act as “incubators” for start-up businesses developed by taking full advantage of Sanyo Chemical technologies and materials. Once an intracorporation is successfully underway, we transfer its operations to Sanyo Chemical Sales & Marketing divisions, as part of our selection and focus measures. The four intracorporations described below will continue operations in FY2012.

Intracorporation Name	Business Lines	Related Products
Medical Care Intracorporation	Enzyme immunoassay diagnostic reagents and biochemical-related products	SphereLight, cell culture materials, etc.
Polymer Application Intracorporation	Chemical boards, paste resins for design models, and other molding products	SANMODUR, GREENMODUR, etc.
Construction Systems and Materials Intracorporation	Civil engineering and construction products that meet the needs of new civil engineering and construction techniques and new building materials	Super Slurry, LEVEFLOW, YT-MELT, etc.
SAP Application Intracorporation	Superabsorbent polymers (SAPs) for non-hygiene use (absorbents for cat litter, seedbeds for rice plants) and applied products	SANFRESH, SANYO SEEDBED SHEET, etc.



General Managers' Introduction

Sales & Marketing Ⅰ

Hideya Narutaki
in charge of Sales & Marketing Ⅰ

Transport Division

- Petroleum and Automotives
- Environmental Protection, Construction and Others

Shoji Yoshida
General Manager of Transport Division

Petroleum & Environment Division

- Petroleum and Automotives
- Environmental Protection, Construction and Others

Information & Electronic Materials Division

- Information and Electrics/Electronics

Hiroyuki Tsuruta
General Manager of
Petroleum & Environment Division and
Information & Electronic Materials Division

Resins & Coloring Materials Division

- Plastics and Textiles

Masafumi Kimura
General Manager of Resins & Coloring Materials Division

Toiletry, Detergent & Textile Division

- Toiletries and Health Care
- Plastics and Textiles

Hideya Narutaki
General Manager of Toiletry, Detergent & Textile Division

Sales & Marketing Ⅱ

Tatsushi Yano
in charge of Sales & Marketing Ⅱ

Purchasing Division

Takafumi Horiie
General Manager of
Purchasing Division

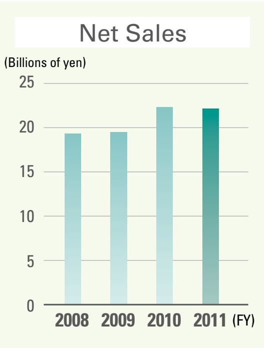
Sales & Marketing Administration Division

Osamu Watada
General Manager of Sales & Marketing
Administration Division

International Project Promotion Division

Tatsushi Yano
General Manager of International
Project Promotion Division

Major Consolidated Subsidiaries

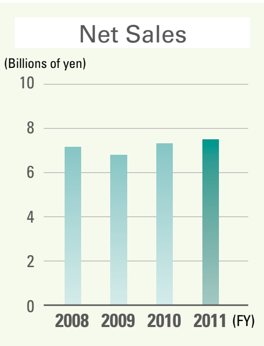


San-Dia Polymers, Ltd.

San-Dia Polymers, Ltd. (SDP) is a joint venture comprised of 60% equity participation by SANYO CHEMICAL INDUSTRIES, LTD., and 40% equity participation by Mitsubishi Chemical Corporation. SDP is in charge of the production and marketing of superabsorbent polymers. In the summer of FY2011, to enable us to meet strong demand from emerging countries, we began operations of our new higher capacity plant (70,000 tons/year) in Nantong, China. This will give us a total production capacity of 140,000 tons per year in China and 130,000 tons per year in Japan, for a combined total production capacity of 270,000 tons per year. Looking ahead, we are committed to satisfying diversifying customer needs by increasing the supply and further improving the product performance of SANWET SG, which exhibits excellent urine diffusion properties, enabling disposable diapers to be made thinner.

Note: This graph does not include data for San-Dia Polymers (Nantong) Co., Ltd.

Hiroshi Azuma
President

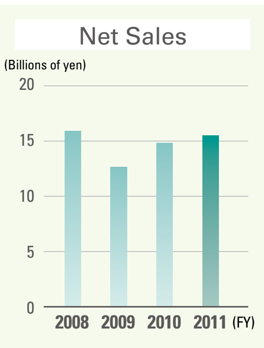


SAN NOPCO LIMITED

SAN NOPCO LIMITED (SNL), a wholly owned subsidiary of SANYO CHEMICAL INDUSTRIES, LTD., is very competitive in the fields of pulp, paper, paint, and ink. In FY2011, SNL worked to improve profitability by increasing the frequency of customer visits (marketing activities in Japan and overseas), development of new products such as high-performance defoaming agents, and improvement of productivity and cost-reduction measures aimed at trimming fixed costs.

To achieve further growth, SNL plans to expand sales of our distinctive dispersants and defoaming agents, and strengthen marketing, research and development activities, to ensure high profitability.

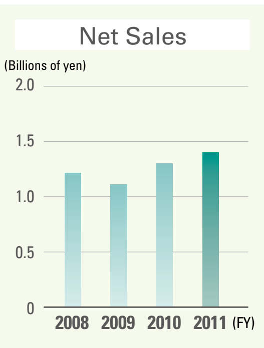
Akinori Higuchi
President



San Chemical Co., Ltd.

San Chemical Co., Ltd. (SCC), a 50-50 joint venture of SANYO CHEMICAL INDUSTRIES, LTD. and JX Nippon Oil & Energy Corporation, is a specialty manufacturer of alkylene oxide adducts (AOAs). AOA products are used in various daily-goods and industrial applications, such as raw materials for polyurethane foams used in seat cushioning and construction materials, as well as detergents. Seeking to become a more competitive AOA production company, we are promoting various improvements including the renovation of aging facilities, increasing production innovation, and raising production capacity with a strong emphasis on safety and compliance.

Masaaki Honjo
President



San-Apro Ltd.

San-Apro Ltd. (SA) is a 50-50 joint venture of SANYO CHEMICAL INDUSTRIES, LTD. and Air Products and Chemicals, Inc. of the USA that manufactures and sells DBU and DBN super-base compounds and other special catalysts. In FY2011, sales of its new photo-acid generator line increased in the area of semiconductor applications. By leveraging synthetic organic technology and various application evaluation technologies, SA aims to expand sales of urethane catalysts and epoxy resin curing accelerators, while focusing development on the photo-acid generator field. It aims to strengthen its business by expanding product ranges and applications.

Yutaka Kawahara
President

Research and Development

Takashi Yoshino
in charge of
Research & Development

Our Research and Development Activities

Sanyo Chemical, by combining our technologies honed over many years with new technologies, has been able to meet the diverse needs of its customers with its original performance chemicals which possess functional characteristics not found in established products. This approach is key to increased sales and profits.

In research and development (R&D), our continued efforts on both the creation of a new product lineup incorporating unique technologies and the upgrading of established products through technological innovation, proceed together in a highly coordinated manner. We actively uphold these policies by assigning approximately 30% of all employees to the R&D Division. Moreover, in addition to the R&D activities of the Research Laboratory at our head office (in Higashiyama-ku, Kyoto), we utilize Katsura Research Laboratory in Katsura Innovation Park (in Nishikyo-ku, Kyoto) to promote interaction and closer ties with government, academia and industry, including venture companies, and accelerate development speed while gaining access to cutting-edge technologies.

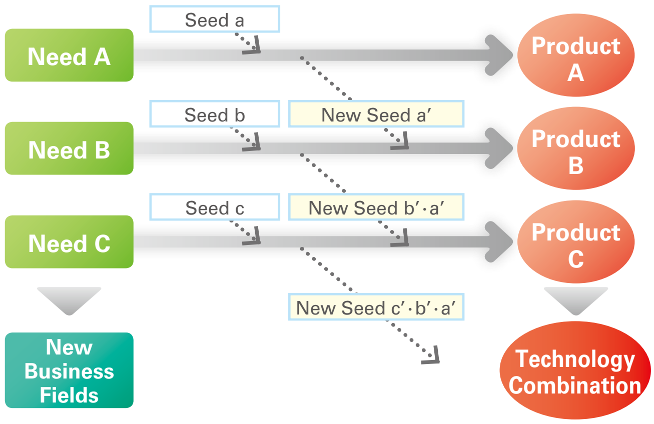
With energy and resource saving as keywords, we will continue to innovate environmentally-friendly products.

NeeSeeds-Oriented R&D Spawns a Stream of New Products and New Technologies

The NeeSeeds-Oriented R&D created by Sanyo Chemical is a combination of “needs-oriented R&D” and “seeds-oriented R&D.” With this unique approach, a technology developed to meet a certain need is blended with another technology to create a new seed technology for new products.

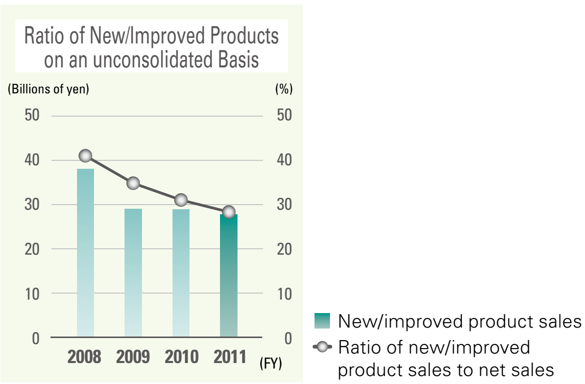
By combining such “chain-reaction” technologies for different fields, we can develop highly original products in new areas.

Sanyo Chemical manufactures a wide variety of products while diversifying its technologies through its NeeSeeds-Oriented R&D activities.



R&D Index
(ratio of new/improved products on an unconsolidated basis)

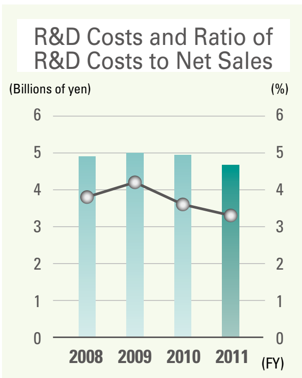
The “ratio of new/improved products” refers to the ratio of new or improved product sales that have been introduced to the market in the past five years to total net sales. This is the most important index for our R&D activities. The ratio of new to improved products was 28.3% in FY2011. We aim for a level 40% or higher.



R&D Investment

In order to develop unique products while promptly responding to diverse needs, we assigned 401 employees and invested 4.6 billion yen (with a ratio of R&D costs to net sales of 3.3%) in R&D activities in FY2011.

We plan to further increase investment to enhance our R&D capabilities going forward.



R&D costs Ratio of R&D costs to net sales

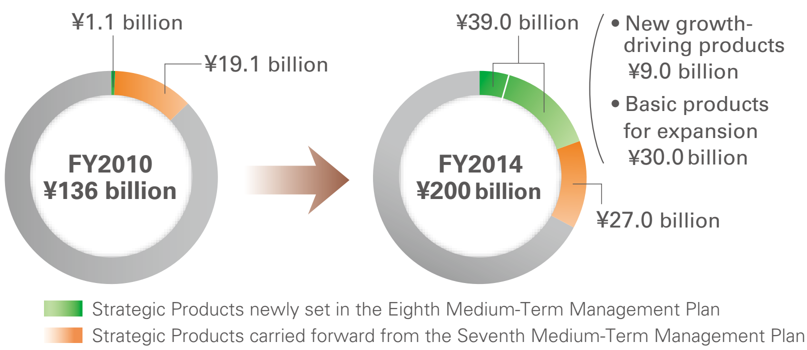
Strategic Products in the Eighth Medium-Term Management Plan for Fast Growth

Strategically Developed Products (Strategic Products) in the Eighth Medium-Term Management Plan starting in FY2011 include the existing Strategic Products, which have been carried forward from the Seventh Medium-Term Management Plan, and a new set of Strategic Products that we have created. With energy and resource saving as keywords for the Strategic Products in the eighth plan, we will launch original products for the next generation.

This new category, which takes advantage of innovative production processes and added new functions, is divided into *basic products for expansion* under our existing global business development program, and *new growth-driving products* with promising growth potential. *Basic products for expansion* include superabsorbent polymers, raw materials for polyurethane foams, and toner materials, while *new growth-driving products* include battery materials, resins for flat panel displays (FPDs) and surgical hemostatic sealants. Our aim is to dramatically expand our business by establishing world-class innovative technologies.

We selected 18 items for our new set of Strategic Products in the eighth plan and prioritized inputs of human resources and funding. In FY2011, 13 of the 18 items contributed to sales. We expect to rapidly develop the remaining 5 items and to generate sales of ¥39.0 billion in FY2014.

Strategic Products Plan in the Eighth Medium-Term Management Plan

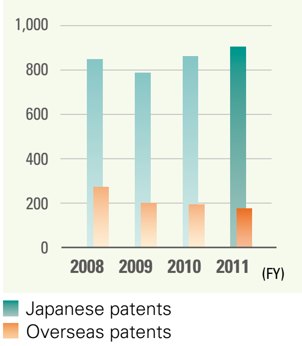


Strategic Accumulation and Utilization of Intellectual Property

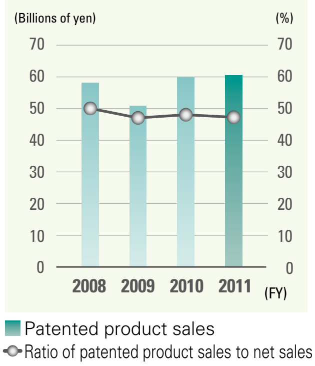
By actively claiming patent rights for the innovative technologies that we develop, we are working to raise the competitiveness of our products. To meet our target of submitting an average of 1.2 patent applications per researcher each year, as a company, we apply for over 350 patents annually. To improve the quality of our patents, we organize an "Invention Fiesta" every year. We work to raise patent awareness among researchers by presenting our "Inventor of the Year" award to the researcher whose invention is judged to be the most outstanding and by targeting the ratio of patented product sales to net sales, shown in the figure below, to 40% or higher.

The "ratio of patented product sales to net sales" is the ratio of product sales accounted for by products under our patent protection to total product sales. It stood at 47.2% for FY2011.

Number of Patents Held



Patented Product Sales and Ratio of Patented Product Sales to Net Sales



Inventor of the Year in FY2011
Miki Kusano

Production

Keiyu Horii
in charge of Production

Summary of Production Activities in FY2011

During FY2011, with the goal of safety and rigorous compliance, we continued to work to raise awareness within our organization using the key concepts of *thoroughness* and *mutual learning*. We conducted comprehensive safety inspections in an effort to improve our zero accident program covering all facilities, and reexamined our operating manuals and safety training. One measure that we took as a result of reexamining our safety training was to open a Safety Education Center, which conducts practical safety education and training within the Nagoya Factory premises.

Moreover, thanks to our instituting a Business Continuity Plan (BCP)* for the Nagoya Factory, one of our key factories, and the hands-on training that had been conducted, the Kashima Factory was able to use the information from the plan and training to quickly recover from the damage caused by the Great East Japan Earthquake. Taking advantage of this experience, we reexamined our BCP for the Nagoya Factory and have nearly finished instituting BCPs at domestic production facilities other than Nagoya.

Production innovation activities, which began in FY2009 with the creation of a special task force, are scheduled to be completed in eight years. The activities were continued in FY2011 with the implementation of measures to thoroughly eliminate wastefulness, impracticalities and inconsistencies. At the Nagoya Factory, we implemented real-time visual controls to monitor process status and began work on some of our production equipment with the goal of installing an intelligent production management system that centralizes information, thereby assisting system operators.

Regarding production facilities, we expanded our production facility for lubricating oil additives at the Kashima Factory, and this new facility is now in full operation. We also began operations of production facilities for thermoplastic polyurethane beads for the interior parts of automobiles at the Nagoya Factory in response to new needs. At the Kashima Factory, we began further production facility expansion for lubricating oil additives and polyester toner resins. At the Kinuura Factory, we started developing land on the north side that was acquired in 2009, which we plan to use as a site for distribution.

Regarding cost reductions, we gave priority to further stabilizing production and improving yields of Strategically Developed Products (Strategic Products), such as the polyester beads (PEBs) used as a core component of polymerization toners, and thermoplastic polyurethane beads for the interior parts of automobiles. We also worked hard to reduce variable costs with other products. In particular, we focused on energy and resource saving, including reducing generation of industrial waste and external processing costs, and cuts in utility expenses and costs by optimizing inventory levels.

Looking ahead, we will continue working to achieve our goal of completely eliminating all accidents, and maintain our unyielding emphasis on safety first in our production activities, thereby supplying high quality products on time and at competitive prices to our customers.

*Business Continuity Plan: Advanced planning to minimize the degradation of business activities and to recover business in the shortest possible time, even if the business activities are affected by disasters or accidents.

Nagoya Factory

Kinuura Factory

Kashima Factory

Kyoto Factory

Topics FY2011

Expansion of Production Facility for Lubricating Oil Additives at Kashima Factory

To meet rising demand for lubricating oil additives, we expanded our production facility at the Kashima Factory from FY2010 and began operations in June 2011. In addition, in the summer of 2012, we will commence operations of facilities designed to meet further rising demand.

Lubricating oil additives production facility

Safety Education Center Opened for Conducting Practical Safety Education and Training

In February 2012, a Safety Education Center, which conducts practical safety education and training within the Nagoya Factory premises, was opened. The Safety Education Center will carry out these activities with the goal of maintaining safe operations.

Corporate Governance and Corporate Social Responsibility (CSR)

We are committed to achieving a sustainable society by meeting societal needs and expectations and by putting our Company Motto of ***Let us contribute to building a better society through our corporate activities*** into practice. We are also strengthening our corporate governance system in pursuit of management efficiency, fairness and transparency.

Corporate Governance

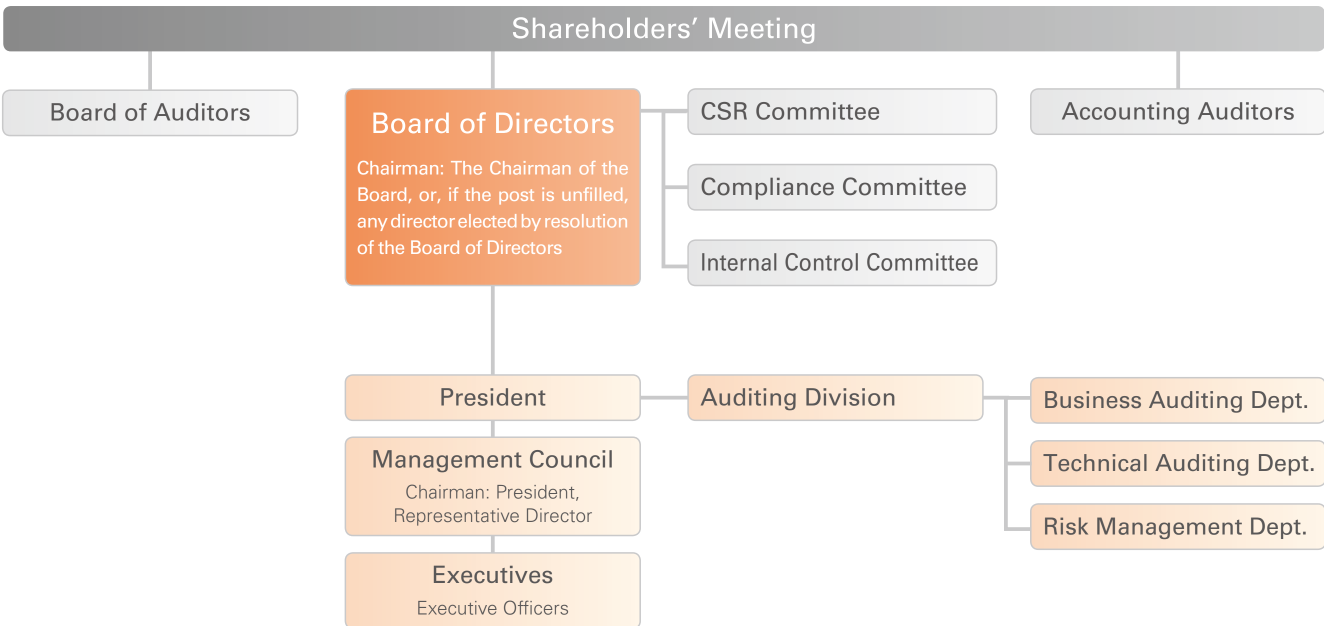
The management of all member companies in Sanyo Chemical Group has positioned corporate governance as one of their top-priority management issues in recognition of the responsibilities they bear toward their shareholders and all the Group's other stakeholders. To clearly separate managerial decision-making and business execution, our corporate governance is based on the executive officer system and the auditor system, which together enable business execution pursuant to the management policies, resolved by the Board of Directors.

In addition, we have the CSR Committee, the Compliance Committee and the Internal Control Committee as organizations established under the direct jurisdiction of the Board of Directors. The CSR Committee deliberates and decides on basic policy and major issues regarding the Group's CSR activities and suggests improvements from a Groupwide point of view.

To ensure compliance within our Group, the Compliance Committee deliberates the fundamental policies and measures to thoroughly ensure compliance with laws and regulations, social norms, the Code of Corporate Ethics and the company regulations. The Internal Control Committee deliberates the Group's fundamental policies for the internal control system as a whole as well as guides and supervises activities such as the creation and operation of the system itself.

In FY2011, we reported the appointment of one outside auditor to the Tokyo Stock Exchange Group, Inc.

Sanyo Chemical's Corporate Governance Organization and CSR System (as of June 22, 2012)



Board of Directors

The Board of Directors has eight members, of whom six concurrently serve as executive officers. The Group Chairman serves as the Chairman of the Board, which meets regularly once a month. At these meetings, auditors also attend to express their opinions. The Board of Directors operates in accordance with all applicable laws and ordinances or Articles of Incorporations as well as the regulations of the Board of Directors. According to these regulations, the Board of Directors also appoints executive officers to perform such duties as prescribed to them by the Board.

Management Council

The company president serves as the chairman of the Management Council, and the council members comprise directors who concurrently serve as executive officers, full-time auditors, and other executive officers. The Management Council is convened regularly twice a month to deliberate and make decisions on important business matters in accordance with the fundamental policies determined by the Board of Directors.

Auditing System

Accounting auditors conduct external audits in compliance with the Japanese Corporate Law and the Financial Instruments and Exchange Law. The audit and review results are reported to the Board of Auditors four times a year. The Board of Auditors consists of four auditors including three outside auditors, and presents the audit report to the Representative Directors and also at the general shareholders' meeting.

Internal auditing is conducted by the Business Auditing Department and the Technical Auditing Department that are contained within the Auditing Division. Both departments cooperate with audits conducted by auditors, based on requests from the auditors, and work to raise the quality and ensure the effectiveness of audits through the appropriate exchange of information.

CSR Promotion System

Based on the recognition that Sanyo Chemical Group's CSR activities fully meet the wishes and expectations of the community at large and contribute to the creation of a sustainable society, in line with our Company Motto, we have established a CSR Committee chaired by the Chairman of the Board of Directors, and a CSR Promotion Department. Each one of our employees throughout the Group is now committed to ensuring a high CSR standard.

The CSR Committee, meeting twice a year, deliberates and decides on basic policy and major issues regarding the Group's CSR activities, and makes suggestions for improvement based on a Groupwide perspective.

CSR Guidelines

1. Basic stance
2. Thoroughness of compliance
3. Thoroughness of safety and accident prevention
4. Promotion of product development that contributes to society
5. Improvement of product liability and quality control
6. Strengthening of environmental protection measures
7. Promotion of risk management and strengthening of internal control systems
8. Promotion of dialogue with stakeholders
9. Secure and train the best human resources and promote human rights
10. Promotion of green procurement
11. Promotion of social contribution activities

Established: August 2009

The CSR Promotion Department which serves as a bureau for the CSR Committee, establishes general CSR policy directions and raises issues that need to be addressed. At the same time, it monitors progress in implementation of decisions reached by the CSR Committee, and is also involved in CSR disclosure and awareness-raising.

To ensure an integrated Groupwide CSR approach, we have established CSR guidelines that cover 11 fields including compliance, corporate governance, the environment, safety, human rights and employment. Based on these guidelines, specific action plans are carried out, backed by the official in charge of each field. In addition, the guidelines are also printed on a credit-card sized leaflet, and distributed to management and employees. The leaflet also includes the Company Motto, our Code of Corporate Ethics, our Advice on Compliance and our Emergency Response Guideline.

On the basis of these CSR activities, the Group will continue to communicate with all stakeholders with the aim of becoming a truly unique and excellent corporate group that operates on a global scale.

CSR Guidelines Printed on a Credit-Card Sized Leaflet

Compliance System

As part of our compliance efforts, we have appointed from among our executive officers an officer to be in charge of corporate ethics, instituted the Compliance Committee (chaired by the chairman of the Board of Directors), and have established an Auditing Division reporting directly to the president, to ensure the effectiveness of our internal auditing function. The Compliance Committee was established to take responsibility for deliberations and decisions made concerning compliance matters within Sanyo Chemical. This committee meets when deemed necessary.

It goes without saying that as our Group deals with chemical products, we take great care to ensure that all the stipulations in Japan's Chemical Substances Control Law are followed to the letter. Leaflets on how to comply with this important law are distributed to all executives and employees. Study sessions are also held, and we require all of our employees to pass internal certification exams.

With respect to IT security countermeasures, one of the foundations of our internal control system, we have established rules and regulations such as PC and Network Management Rules, and implemented a licensing system, access restrictions and hardware countermeasures.

In addition, we set up a Technology, Sanitation, Environment, and Safety Auditing Committee to deal with the technical, safety and health, environmental, and process safety and accident prevention-related activities of the Production Division and Research and Development Division in particular. The Committee conducts annual audits of each business facility including those of subsidiaries and affiliates.

In FY2011, based on the Charter of Corporate Behavior, revised in FY2010 by the Japan Business Federation (Keidanren) and our Code of Corporate Ethics, we revised the Action Guidelines for Employees, which summarizes standards of conduct and the mental attitude needed to observe each item contained in the Code and Charter. As part of our Corporate Ethics Month, we also organized study groups for each department of Sanyo Chemical concerning the Action Guidelines for Employees and Harassment Prevention Rules. Furthermore, we included compliance education in the training programs for new employees as well as for newly promoted chiefs and managers as part of compliance strengthening measures. We also held compliance study groups for Sanyo Chemical executive officers.

In case any questions arise with respect to compliance, our basic policy is to resolve them through consultations with the superiors and parties concerned. However, in case a resolution is not possible, an internal hotline has been provided.

Risk Management

With regard to major risks surrounding the Group, the departments in charge are managing risk under rules such as the designated rules for responsibility for business operations, rules for the person responsible for business execution and the procedures thereof, rules for internal auditing, rules for transactions (sales), rules for accounting, rules for product liability (PL), and rules for information security. In addition, the Risk Management Department, established within the Auditing Division, which reports directly to the president and is the first office to be contacted when risks arise, monitors the implementation status of risk management, and handles risks incurred in an appropriate and timely manner. Recurrence prevention measures are also formulated by the Risk Management Department.

As for our Business Continuity Plan (BCP), we have already installed an Earthquake Early Warning and Emergency Information Service System. We are reexamining the BCP for the Nagoya Factory, which was created assuming an earthquake scenario, in order to put to use the lessons we learned during the Great East Japan Earthquake of last year. Also, we have nearly finished formulating a BCP that assumes an earthquake scenario for each factory including the area around our Head Office and for subsidiaries and affiliates, and plan to begin hands-on training. Further, we are compiling a BCP for an assumed major outbreak of new types of influenza.

Internal Control System

Guided by our Company Motto, ***Let us contribute to building a better society through our corporate activities***, we have created an internal control system. The system not only ensures that the Group, in its business activities, strictly observes all relevant laws and regulations, but also helps to improve the effectiveness and efficiency of business operations and ensures the reliability of our financial reports.

The fundamental policy for establishing the internal control system pursuant to the Japanese Corporate Law and its enforcement regulations, after being resolved by the Board of Directors and publicized in May 2006, has been reviewed as necessary and publicized on each occasion as a report on corporate governance.

We have established the Internal Control System (Financial Reporting) Promotion Department in the General Affairs Division as a group to promote the detailed creation, operation, and assessment of the internal control system on financial reporting stipulated in the Financial Instruments and Exchange Law. We are implementing written descriptions of actual operations (documentation), assessing companywide internal controls and the control systems for operational procedures for everything from sales to the financial reporting process, as well as IT procedures. The results are collated in the Internal Control Report which is then presented to the Internal Control Committee. In June 2012, we submitted the FY2011 Internal Control Report which we validated, with the attached Internal Control Audit Report made by accounting auditors, to the Kanto Local Finance Bureau.

To establish internal control systems in other risk areas than financial reporting, in FY2011, we created a documentation system that checks what actions need to be taken for each of the identified risks, and shifted to the stage of actual operation and assessment of the internal control system for risks from overseas expansion and from human resources.

Board of Directors & Auditors

(as of June 22, 2012)


Masaaki Ienaga
Chairman of the Board


Dr. Takao Ando
President, Representative Director


Tatsushi Yano
Director


Takashi Yoshino
Director


Keiyu Horii
Director


Toru Onishi
Director


Hideya Narutaki
Director


Kan Ueno
Director


Go Fusaka
Auditor


Yoshiyuki Mori
Auditor


Junzo Shimizu
Auditor


Haruo Nakano
Auditor

Company Motto

Let us contribute to building a better society through our corporate activities.

To achieve this purpose, we will endeavor to promote the followings:

1. We believe that the company is an organic entity of capital, management, and labor harmoniously linked together. Keeping this in mind, we will strive to achieve dynamic growth.
2. Trusting that our inventive power has no limits, we will ceaselessly try to develop new business areas and supply original and high-quality products to the market.
3. We believe that perpetual profits come only from the creation of value, and we do not seek superficial profits.
4. We will fulfill the customers' expectation and earn their trust by providing high-quality cost-effective products and superior technical service.
5. When all the members of the company share the same vision for the company's future and challenge for innovation on our own initiative, we will be rewarded with an abundant profit. This profit will then be fairly distributed among internal reserves, shareholders, management and employees.
6. We will strive for perfection in safety and harmony with the environment, which is the first required mission in the society.

Code of Corporate Ethics

We, Sanyo Chemical Group, are maintaining our Code of Corporate Ethics, believing that it is essential corporate behavior to ensure legal compliance and to fulfill corporate social responsibility, which has been implemented to promote sustainable society. With good sense and integrity we are committed to improving our society and are following our Company Motto, ***Let us contribute to building a better society through our corporate activities.***

Based on these corporate ethics, we prescribe our principles of corporate behavior as follows:

1. We, Sanyo, shall develop and provide socially beneficial and safe products and services, and in this way earn the satisfaction and confidence of our consumers and customers.
2. In our business activity, we shall be devoted to fair competition and appropriate transactions.
3. We shall proactively take initiatives to conserve the environment and prevent accidents and disasters as crucial requirements for the sustainability and activity of our business.
4. We shall engage in active and fair disclosure of corporate information, not only to shareholders, but also widely to the public. We shall also protect our intellectual properties and respect those of others, as well as be thorough in our protection and management of personal information and customer information.
5. As a "good corporate citizen," we shall actively engage in philanthropy and other activities of social benefit.
6. We shall respect the diversity and individuality of our employees, and ensure their well being by providing a safe and comfortable working environment.
7. In responding to the globalization of business activities, we shall comply with the laws and regulations of the countries and regions where we conduct business, respect human rights and other international norms, manage our operations in due consideration of various cultures and customs as well as the interests of our stakeholders, and contribute to social and economic development in those countries and regions.
8. We shall strongly oppose and thoroughly reject all contact with antisocial forces and organizations that pose a threat to the order and security of civil society.

All management, cooperating with managerial staff, must undertake the responsibility and take all necessary actions for implementing and promoting this Code of Corporate Ethics within Sanyo Chemical Group while expecting business partners to respect it. Management must also promote the development and implementation of systems that will contribute to the achievement of the Code of Corporate Ethics.

In the event of any violation of these principles, top management must investigate the cause of the violation, develop reforms to prevent its recurrence, and make information publicly available regarding the intended corrective actions. After showing accountability by making prompt and appropriate public disclosure, disciplinary action will be taken with all concerned persons including the President.

Established: April 1, 2003
4th version revised: April 1, 2011

Individual-Based Management

Sanyo Chemical is adapting to the dynamic business environment by introducing *individual-based management*, a concept developed by and unique to Sanyo Chemical.

Our *individual-based management* is intended to encourage employees to take up challenges by utilizing the company's programs and tools, so that every single individual can grow with the company, and ensure their job satisfaction and well-being. It is said that people make the company. In the future, individuals' capabilities, their willingness to take on challenges, and high ethical standards will become increasingly important.

The motto is: *Take initiative, with passion*. Through the pursuit of this common vision by all its group companies, Sanyo Chemical is endeavoring to become a truly unique and excellent corporate group that operates on a global scale.

- Announcement of "Challenges to Be Management Assistants (Managers)"
- Challenge System
- Personal Challenge for Research
- Awards from General Managers to encourage challenges
- Commendations from the president (by self-declaration)
- TQC activities
- Conventional Product Sales Expansion Award

- Life Assist programs
- On-the-job training: Job exchange training, training retreats
- Informal seminars for employees
- Plant Head Session, Safety Session, Production Innovation Session
- New technical school in the Production Division
- Medium-Term Management Plan making committee
- In-House Qualification System: Japan's 1973 Chemical Substances Control Law, TOEIC, PC (applied level), Accounting (level: primary/advanced)
- Self-Study Program: Introduction to Surfactants, Introduction to High-Molecular Agents, etc.
- In-house licenses: Info-system skill license, operator skill license

- Evaluation accounting for profit center managers, financial accounting, managerial accounting
- Profit center system in R&D, production and sales
- Ordinary profit passbook
- Inter-Department Mutual Screening
- Achievement-Connected Bonus Calculation Formula
- In-House Free Agreement System

- Flat R&D structure: Research Unit System
- Intracorporation System
- Company Motto, Code of Corporate Ethics, Action Guidelines for Employees
- Matrix Management System (Sales & Marketing, and R&D)
- Two-Boss System in Sales & Marketing Division
- R&D operation system's manual
- Managerial Staff System
- Plenary Morning Assembly

- System to encourage patent applications: Patent and trademark awards, Inventor of the Year award
- Encouragement System to Improve Mobility of Powerful Research Assets
- Skills upgrading program for fast-track research
- Incentive system for excellence of research
- Internal cross-departmental research training program
- Prototype Prior Inspection System

- Investment criteria: investment for streamlining, labor-saving, overseas market and R&D
- Improving Production Capacity without New Capital Investment

- Manager's monthly self-action report forwarded directly to the management
- Daily & weekly e-reports by sales representatives

The Environment, Safety and Social Activities

Guided by our Company Motto, ***Let us contribute to building a better society through our corporate activities***, we are fully aware that companies are also members of society. We have been actively involving ourselves with social activities as well as implementing responsible care activities that are aimed at protecting the environment and ensuring safety in our business activities. In addition, we are continuing our Business Continuity Plans (BCPs), which is advanced planning to minimize the degradation of business activities and to recover business in a short period of time even if the business activities are damaged by disasters or accidents.

Responsible Care

Since joining the Japan Responsible Care Council in 1996 (currently known as the Responsible Care Committee of Japan Chemical Industry Association), we have been actively engaged in environmental protection and safety as our primary issues.

Responsible care is an activity where businesses dealing with chemical substances take the initiative in protecting the environment and ensuring safety through the entire lifecycle of their chemical products, from development through manufacturing, distribution, application, final consumption and finally disposal. This means we engage in environmental protection, process safety and accident prevention, occupational safety and health, and chemical and product safety where the results are publicized for transparency.

S-TEC*1 Environmental Conservation Priority Project

We have formulated the S-TEC campaign that gives priority to conserving the environment by focusing on energy conservation, the reduction of chemical substance emissions, the reduction of the generation of waste, and the recycling of waste, and have been conducting it on a company-wide basis since FY2000. In FY2011, we began taking action for S-TEC25 (the final year: FY2014) along with efforts directed at JIPS*2 , and we have made the reduction in greenhouse gas emissions our primary task. S-TEC25 is named after Challenge 25, a national campaign for the prevention of greenhouse gas emissions.

*1 S-TEC: Sanyo Tactics for Eco Challenge
*2 Japan Initiative of Product Stewardship: Japan Chemical Industry Association-led effort to collect and make public information about chemical substance safety

Targets and 2011 Progress in S-TEC25 (FY2011 – FY2014)

Activities	Sanyo Chemical Objectives by the End of FY2014	FY2011 Results	Rating*3
Reduction of greenhouse gas emissions	Reduce the total amount of greenhouse gas*4 emitted by 10%*5 by FY2014 from FY1990 level. But, review in case of major government policy change.	Total Group emissions in Japan: 19.6 tons 59% increase from FY1990 level, 0.9 ton reduction from FY2010 level	C
Energy conservation	Reduce energy consumption per unit of production in Japan by 5.3%*6 by FY2014 from FY2010 level (annualized reduction of 1.4%)	1.3% reduction from FY2010 level	B
Reduction of Volatile Organic Compound (VOC) emissions	Reduce VOC emissions in Japan by 60% by FY2014 from FY2010 level.	7.9% reduction from FY2010 level (VOC emissions: 242 tons)	C
Zero waste	(1) Reduce landfill disposal weight to below 0.01% of the total waste.	(1) 0.02%	C
	(2) Reduce waste generation per unit of production by 15% by FY2014 from FY2010 level (annualized reduction of 4%)	(2) 1.4% increase from FY2010 level	C
JIPS	Collect safety data and evaluate risks regarding chemical substances	Weighing both toxicity information and exposure potential, we listed up approx. 300 products with moderate or higher risk	A

*3 Explanation A: Objective achieved; B: At least 70% achieved; C: Up to 70% achieved
*4 Calculations of reductions include reductions achieved through use of Sanyo Chemical products
*5 FY2014 target is set as a milestone in meeting the Japanese government's medium-term target of reducing greenhouse gas emissions by 25% from the FY1990 level by FY2020
*6 Corresponding to the target of 20% lower than the FY1990 level set by the Japan Chemical Industry Association

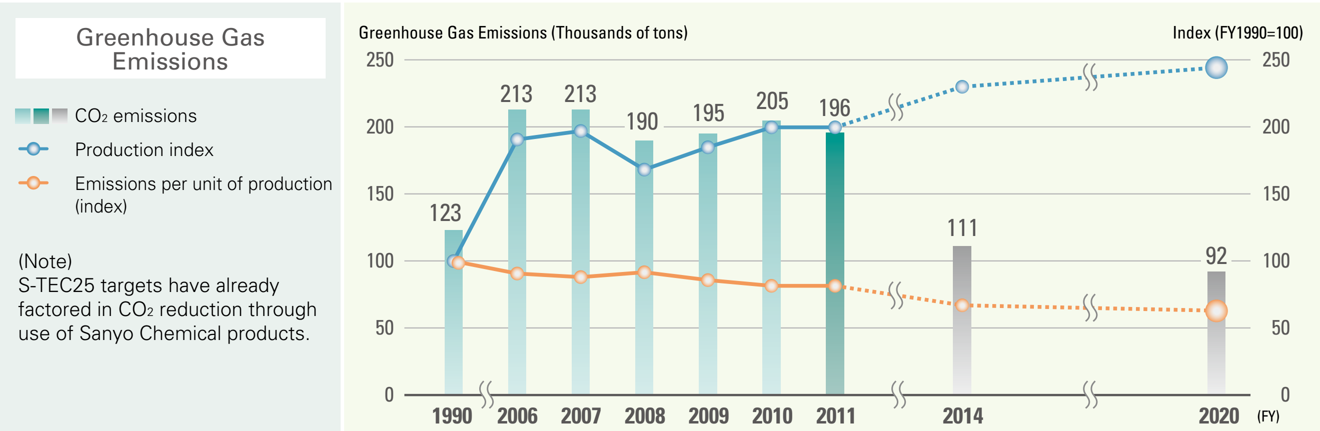
Reduction of Greenhouse Gas Emissions

In view of the targets set under the Kyoto Protocol, we determined our action programs and are striving to achieve product development that is conducive to the conservation of energy and other precious resources, as well as the reduction of greenhouse gas emissions at both the manufacturing and distribution stages.

In FY2005, we launched greenhouse gas reduction activities through our greenhouse gas working group. Since FY2009, as a result of strenuous efforts to promote energy conservation through production innovation activities, we have contained the increase in net greenhouse gas emission volumes at 3.2%, despite a 17.5% increase in production volume over FY2008.

In order to make our contribution to CO_2 reduction visible, we established and put into effect the Product CO_2 Reduction Contribution Measurement Standard in FY2012. This standard numerically quantifies the amount of CO_2 reduction achieved at the product use and disposal stage that can be attributed to the superior characteristics of Sanyo Chemical products compared with other widely used products on the market.

Begun in FY2009, the Sanyo Chemical Woodland Project manages woodland through funding and provision of volunteers. The amount of CO_2 effectively absorbed in FY2011 through the project's forestry activities increased by 32.6 tons.



Safety Measures Against Fire Disasters

In April 2011, a fire struck the Katsura Research Laboratory, causing burn injuries to two employees. In December, small fires broke out at one overseas factory and at three domestic factories.

We thoroughly investigated the cause of each fire and adopted countermeasures. Taking these matters very seriously, we strengthened fire eradication measures in January and February 2012 at our factories, identified fire risks, scheduled countermeasures against them, and we are now successively implementing these at each factory. After we complete implementation, we intend to verify the effectiveness of these measures.

As for the fire at the Katsura Research Laboratory, we are now standardizing work and conducting ongoing safety training to prevent a recurrence.

Business Continuity Plans (BCPs)

We have been developing our Business Continuity Plans (BCPs) since 2007 and have established a BCP for our Nagoya Factory in preparation for an earthquake and have conducted drills. When the Kashima Factory was damaged by the Great East Japan Earthquake, we were able to resume full operations in about three weeks as a result of our recovery and business continuity efforts by applying what we had learned.

In April 2011, we held an evaluation meeting to reflect on our efforts to respond to the massive earthquake. At the meeting, we identified 42 items including matters not envisioned by the Nagoya Factory BCP, additional measures that we should have taken, and rules that we should have set. We scheduled and implemented routine countermeasures and applied the lessons we learned to other factories' BCPs.

Our BCPs in preparation for earthquakes at our domestic facilities including those of subsidiaries and affiliates are for the most part complete. From this point forward we will conduct repeated drilling and work to improve our BCPs.

Further, we are compiling a BCP for an assumed major outbreak of new types of influenza.

Social Contribution Activities

We are actively engaged in community support and contribution activities, so as to be trusted as a good corporate citizen, and to promote harmonious coexistence with society.

By cooperating and supporting various local events, cleaning areas around factories, and other efforts, we deepen mutual understanding with local communities in each region.

As part of the Sanyo Chemical Woodland Project in Kyoto's Wazukacho, forest thinning and pavement upgrade activities were carried out three times during FY2011. Volunteer activities were also continued through the voluntary support of employees who wish to get involved in building forests.

Donation/Disaster Support Activities

We financially support universities and research institutes, and donates to the Japanese Committee on Nature Conservation.

In addition, in FY2011, our China subsidiaries Sanyo Kasei (Nantong) Co., Ltd. and San-Dia Polymers (Nantong) Co., Ltd. donated stationery and other items to local elementary and junior high schools.

Communication with the Local Community

Sanyo Chemical conducts factory tours and joint disaster-prevention drills with local administrations. Every year, our researchers visit nearby elementary schools to perform chemistry experiments with students and give lectures to help students understand the relationship between chemistry around us and the environment. We also organize hands-on study sessions at our premises that provide junior high school students with opportunities to experience how a company works.

Sanyo Chemical researchers teaching at an elementary school

Organization Chart, Executives and General Managers

(as of June 22, 2012)

Organization Chart

- Board of Directors
  - President — Dr. Takao Ando
    - CSR Committee
    - Compliance Committee
    - Internal Control Committee
    - Auditing Division — Tadami Ohbayashi
    - Secretarial Dept.
    - Sales & Marketing I — Hideya Narutaki, Executive Officer
      - Transport Division — Shoji Yoshida, Executive Officer
      - Petroleum & Environment Division — Hiroyuki Tsuruta, Executive Officer
      - Information & Electronic Materials Division — Hiroyuki Tsuruta, Executive Officer
      - Resins & Coloring Materials Division — Masafumi Kimura, Executive Officer
      - Toiletry, Detergent & Textile Division — Hideya Narutaki, Executive Officer
    - Sales & Marketing II — Tatsushi Yano, Senior Managing Executive Officer
      - Purchasing Division — Takafumi Horiie
      - Sales & Marketing Administration Division — Osamu Watada, Managing Executive Officer
      - International Project Promotion Division — Tatsushi Yano, Senior Managing Executive Officer
    - Intracorporations — Osamu Watada, Managing Executive Officer
    - Research & Development — Takashi Yoshino, Senior Managing Executive Officer
      - Research & Application Division — Kohei Maeda, Executive Officer
      - Research & Development Division — Keiji Tanaka, Executive Officer
      - Research Administration Division — Takashi Yoshino, Senior Managing Executive Officer
    - Production — Keiyu Horii, Managing Executive Officer
      - Production Division — Keiyu Horii, Managing Executive Officer
      - Production Technology Division — Takashi Yoshino, Senior Managing Executive Officer
      - Production Administration Division — Keiyu Horii, Managing Executive Officer
    - General Affairs — Toru Onishi, Managing Executive Officer
      - General Affairs Division — Toru Onishi, Managing Executive Officer
      - Personnel Division — Atsushi Ota, Executive Officer
    - Tokyo Branch Office — Osamu Watada, Managing Executive Officer
    - Osaka Branch Office — Toshikazu Habe
    - Management Council
      - Committees, etc.
- Board of Auditors
  - Auditors

Executives


Dr. Takao Ando
Executive President


Tatsushi Yano
Senior Managing Executive Officer


Takashi Yoshino
Senior Managing Executive Officer


Keiyu Horii
Managing Executive Officer


Toru Onishi
Managing Executive Officer


Osamu Watada
Managing Executive Officer


Hideya Narutaki
Executive Officer


Hiroyuki Tsuruta
Executive Officer


Kohei Maeda
Executive Officer


Shoji Yoshida
Executive Officer


Akiyoshi Kodera
Executive Officer


Shigeaki Takeda
Executive Officer


Masafumi Kimura
Executive Officer


Keiji Tanaka
Executive Officer


Atsushi Ota
Executive Officer

Financial Section

Contents

Main Indexes Over a Six-Year Period

(Millions of yen)	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011
For the fiscal year:						
Net sales	122,397	135,214	129,555	119,193	136,026	**141,041**
Japan	84,632	92,041	89,200	77,725	87,036	**92,507**
Overseas	37,764	43,173	40,355	41,467	48,990	**48,534**
Cost of sales	97,639	111,063	110,882	95,343	107,876	**116,877**
Selling, general and administrative expenses	18,204	18,858	18,032	17,703	18,534	**18,401**
Operating income	6,553	5,293	640	6,146	9,615	**5,762**
Interest and dividend income	462	450	417	314	347	**453**
Interest expense	187	279	303	239	168	**274**
Ordinary income	8,024	5,836	498	6,017	10,527	**6,958**
Income (loss) before income taxes and minority interests	6,471	4,519	(1,915)	5,259	9,436	**6,711**
Income taxes	2,687	2,822	500	1,992	3,050	**2,309**
Minority interests (loss)	732	250	(15)	723	1,176	**696**
Net income (loss)	3,051	1,446	(2,400)	2,544	5,209	**3,704**
Return (loss) on equity (%)	3.47	1.67	(2.97)	3.23	6.26	**4.29**
Comprehensive income*				6,665	6,757	**4,370**
Investment in plant and equipment	10,468	9,946	10,452	7,145	11,656	**12,799**
Depreciation and amortization	8,146	8,483	8,476	8,013	8,216	**9,498**
Research and development cost	4,540	4,682	4,942	5,059	4,940	**4,671**
Net cash provided by (used in):						
Operating activities	9,289	8,987	7,255	20,103	11,359	**8,872**
Investing activities	(10,643)	(11,055)	(10,430)	(8,651)	(9,941)	**(11,473)**
Financing activities	1,758	(1,320)	(1,064)	(2,858)	(4,607)	**42**
Cash and cash equivalents at the end of the year	15,287	11,482	7,031	15,565	12,044	**9,360**
At fiscal year-end:						
Total assets	153,165	148,717	123,901	136,991	140,817	**149,196**
Long-term debt less current portion	15,138	14,275	12,946	1,991	6,612	**6,927**
Shareholders' equity	88,466	85,016	76,465	81,175	85,272	**87,296**
Shareholders' equity ratio (%)	57.8	57.2	61.7	59.3	60.6	**58.5**
Per share data and others:						
Net income (loss) (yen)	27.65	13.11	(21.75)	23.06	47.22	**33.59**
Cash dividends paid (yen)	15.00	15.00	13.00	13.00	15.00	**15.00**
Net assets (yen)	801.52	770.38	693.00	735.79	773.06	**791.46**
Stock price at the end of period (yen)	809	489	461	559	711	**552**
Price earnings ratio (times)	29.26	37.30	—	24.24	15.06	**16.43**
Price book-value ratio (times)	1.01	0.63	0.67	0.76	0.92	**0.70**
Weighted average number of shares (thousands of shares)	110,383	110,361	110,347	110,331	110,316	**110,301**
Employees	1,623	1,675	1,742	1,748	1,766	**1,776**

* Effective the year ended March 31, 2011 (FY2010), SANYO CHEMICAL INDUSTRIES, LTD. and its domestic consolidated subsidiaries have adopted the Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No.25 issued on June 30, 2010).

Management Discussion and Analysis

Highlights of FY2011

Net sales increased by 3.7% from the previous fiscal year to ¥141,041 million, our highest net sales to date, largely due to product price revisions in response to surging raw material and fuel costs.

Operating income decreased by 40.1% from the previous fiscal year to ¥5,762 million. Net income decreased substantially by 28.9% to ¥3,704 million. The primary factors behind the operating income decrease were higher raw material and fuel costs than in FY2010, the appreciation of the yen, and increased depreciation and amortization from capital investments at the new higher capacity plant at San-Dia Polymers (Nantong) Co., Ltd., and at the Kinuura and Kashima factories.

The details are as follows.

Business Environment

During the fiscal year under review, with the protracted appreciation of the yen, floods in Thailand, the economic slowdown in Europe caused by credit uncertainty, the business environment of the Japanese economy remained harsh, despite the continuing recovery from the effects of the Great East Japan Earthquake.

Operating conditions likewise remained difficult in the chemical industry, with raw material and fuel costs exceeding those of FY2010.

Net Sales

In FY2011, consolidated net sales increased by 3.7% from the previous fiscal year to ¥141,041 million, the highest net sales recorded to date, which was largely attributable to product price revisions in response to surging raw material and fuel costs.

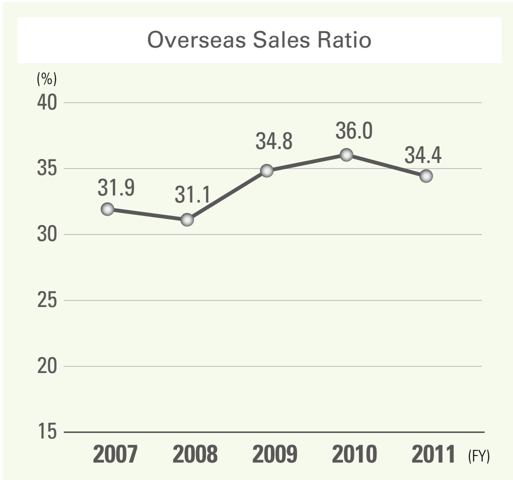
Net sales by segment were as follows.

Net Sales by Segment

Segment	FY2010		FY2011		Change (%)
	Sales Amount (millions of yen)	Ratio (%)	Sales Amount (millions of yen)	Ratio (%)	
Toiletries and Health Care	49,475	36.4	**51,054**	**36.2**	3.2
Petroleum and Automotives	30,535	22.4	**32,589**	**23.1**	6.7
Plastics and Textiles	18,113	13.3	**18,624**	**13.2**	2.8
Information and Electrics/Electronics	21,744	16.0	**20,504**	**14.5**	(5.7)
Environmental Protection, Construction and Others	16,157	11.9	**18,269**	**13.0**	13.1
Total	136,026	100.0	**141,041**	**100.0**	3.7

In the Toiletries and Health Care segment, sales increased mainly due to the start up of operations at our superabsorbent polymer (SAP) production facility with an annual production capacity of 70,000 tons built in June of last year in China to respond to increasing global demand for SAPs used in disposable diapers. In the Information and Electrics/Electronics segment, sales were weak because demand for electrolytes for aluminum electrolytic capacitors and silicon wafer processing agents decreased sharply from the third quarter in addition to substantially lower demand for resins for flat panel displays (FPDs). In the Environmental Protection, Construction and Others segment, sales increased substantially due to expanded sales in Japan and overseas of raw materials for polyurethane foams used for furniture and heat insulating materials, sales growth for raw materials for building sealants and cement dispersants, and higher demand for maintenance, repair and renovation work following the massive earthquake.

The overseas sales ratio decreased by 34.4%, down 1.6 percentage points, mainly due to lower sales in other regions caused by the appreciation of the yen, despite continued increased sales in China and other Asian countries.



Cost of Sales and SG&A Expenses

Factors affecting the cost of sales included higher raw material and fuel costs than in FY2010, the appreciation of the yen, and increased depreciation and amortization from capital investments at the new higher capacity plant at San-Dia Polymers (Nantong) Co. Ltd., and at the Kinuura and Kashima factories. As a result, the cost of sales ratio increased 3.6 percentage points from 79.3% to 82.9%.

Selling, general and administrative (SG&A) expenses decreased by ¥132 million from the previous fiscal year, and therefore the ratio of SG&A expenses to net sales decreased 0.6 of a percentage point to 13.0% from 13.6% in the previous fiscal year.

Research and development (R&D) expenses decreased by ¥269 million from the previous fiscal year, and therefore the ratio of R&D expenses to net sales decreased 0.3 of a percentage point to 3.3% from 3.6% in the previous fiscal year.

Operating and Net Income

Operating income decreased 40.1% from the previous fiscal year to ¥5,762 million. The primary factors behind the decrease were higher raw material and fuel costs than in FY2010, the appreciation of the yen, and increased depreciation and amortization from capital investments at the new higher capacity plant at San-Dia Polymers (Nantong) Co., Ltd., and at the Kinuura and Kashima factories. The ratio of operating income to net sales decreased by 3.0 percentage points to 4.1% from 7.1% in the previous fiscal year.

Net income decreased by 28.9% to ¥3,704 million, as an improvement in equity in earnings of unconsolidated subsidiaries and affiliates and a lower net exchange loss were unable to offset the operating income decrease.

As a result, net income per share was ¥33.59, compared with ¥47.22 in the previous fiscal year.

Investment in Plant and Equipment

Capital expenditures totaled ¥12,799 million on a consolidated basis, and ¥9,663 million on an unconsolidated basis.

Investments by Sanyo Chemical to boost production capacity and streamline operations came to ¥2,931 million and ¥1,307 million, respectively. In addition, ¥670 million (total investment: ¥4,340 million) was invested in the expansion of production facilities for superabsorbent polymers at San-Dia Polymers (Nantong) Co., Ltd., and ¥672 million was invested in Sanyo Kasei (Nantong) Co., Ltd.

To bolster R&D capabilities, companies of Sanyo Chemical Group invested a total of ¥245 million in R&D facilities. These capital expenditures were financed from internal funds and loans.

Financial Position

Current assets increased by ¥5,540 million from the previous fiscal year-end to ¥70,869 million. Cash and deposits decreased by ¥2,683 million, but were offset by a ¥6,422 million increase in notes and accounts receivable-trade due to the fact that the last day of FY2011 was a bank holiday as well as higher net sales, a ¥2,088 million increase in inventories, and other factors.

Fixed assets increased by ¥2,838 million from the previous fiscal year-end to ¥78,326 million, mainly due to a ¥2,918 million increase in property, plant and equipment.

Current liabilities increased by ¥6,565 million from the previous fiscal year-end to ¥46,854 million, as a result of an increase in notes and accounts payable-trade of ¥5,225 million, partly due to the fact that the last day of FY2011 was a bank holiday.

Long-term liabilities decreased by ¥321 million from the previous fiscal year-end to ¥11,815 million, due to a ¥587 million decrease in accrued retirement benefits for employees, and other factors.

Working capital, obtained by subtracting current liabilities from current assets, came to ¥24,015 million, and the current ratio was 151.3%.

Net assets increased by ¥2,134 million from the previous fiscal year-end to ¥90,526 million. This increase was mainly attributable to positives such as net income of ¥3,704 million and ¥193 million in unrealized gains on other securities, which outweighed negatives including ¥1,654 million in cash dividends paid.

The shareholder's equity ratio (net assets after deduction of minority interest to total assets) decreased by 2.1 percentage points to 58.5% from 60.6% at the previous fiscal year-end. Net assets per share (after deduction of minority interest) also increased by ¥18.40 to ¥791.46 from ¥773.06 as of the end of the previous fiscal year.

Cash Flow

Net cash provided by operating activities came to ¥8,872 million (compared with ¥11,359 million in the previous fiscal year).

Inflows of ¥6,711 million in income before income taxes and minority interests, ¥9,528 million in depreciation and amortization expenses, and ¥5,338 million in notes and accounts payable outweighed outflows including ¥6,500 million in notes and accounts receivable, ¥2,165 million in inventories, and ¥3,154 million in income taxes paid.

Net cash used in investing activities totaled ¥11,473 million, compared with ¥9,941 million in the previous fiscal year. This was mainly due to purchases of property, plant and equipment totaling ¥11,095 million.

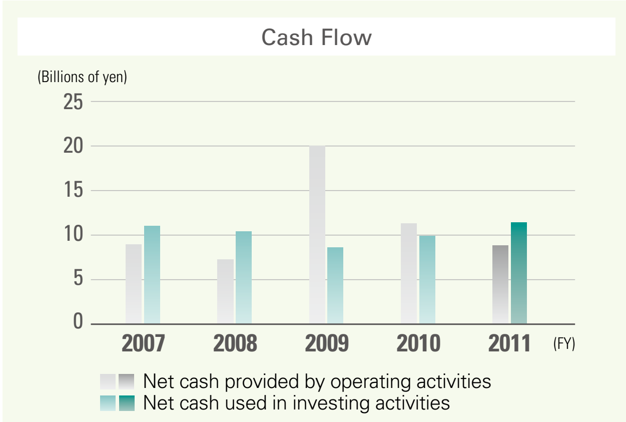
The following graph is a comparison of net cash provided by operating activities and net cash used in investing activities.

Because of the large-scale investments made by Sanyo Chemical Group until FY2008 in developing Strategic Products, free cash flow (net cash provided by operating activities minus net cash used in investing activities) continued to be negative until that year. However, in FY2009 and FY2010, free cash flow turned positive due to the curbing of investments following Lehman Brothers' collapse and substantially higher earnings. In the fiscal year under review, net cash used in investing activities increased, due to investment in plant and equipment needed to meet the increasing demand for SAPs, lubricating oil additives, and other factors.

However, because of sluggish business performance owing to surging raw material and fuel costs, free cash flow turned negative.

Net cash provided in financing activities totaled ¥42 million, compared with the outflow of ¥4,607 million in the previous fiscal year. Outflows of ¥1,653 million in cash dividends paid and other factors were outweighed by inflows including ¥2,280 million in net loans and debt.

As a result of the above, cash and cash equivalents at the end of FY2011 totaled ¥9,360 million, a decrease of ¥2,683 million from the previous fiscal year-end.



Business Risks

The following factors may have a significant impact on business performance, stock values, and the financial condition of Sanyo Chemical Group.

(1) Economic Conditions

Demand for Sanyo Chemical Group's products is affected by the conditions of the economies of the countries and regions where the Group's products are sold. Consequently, if demand diminishes due to a recession in any of our main markets including Japan, North America, Europe and Asia, it could have a negative impact on the Group's business performance and financial condition.

(2) Exchange Rates

As the Group's businesses develop overseas, there is an increased possibility of exchange rate fluctuation adversely affecting our business performance and financial condition.

(3) Change in Raw Material Costs

The majority of the raw materials used by the Group are derived from petroleum. Oil prices vary due to a variety of reasons, including the political situation in the Middle East, the balance of supply and demand, and exchange rates. A rise in raw material costs arising from increased oil prices could adversely impact the Group's business performance and financial condition.

(4) Earthquakes and Other Natural Disasters

The Tokai region, which includes Aichi Prefecture, where the Nagoya Factory, which has our largest production capacity, is located, has a relatively high likelihood of being hit by a massive earthquake in the foreseeable future.

The Group has implemented earthquake preparedness measures such as improving the seismic integrity of structures at facilities and decentralizing production sites.

The Great East Japan Earthquake caused major damage due to liquefaction caused by rising underground water, but we have implemented a series of measures to deal with this kind of problem.

However, in the case of a massive earthquake, suspension of production and sales activities due to various factors could have an adverse impact on the Group's performance and financial condition.

(5) Country Risks

The Group has been expanding its overseas businesses by constructing production sites in China, following those in the USA and Thailand. Such globalization moves could have an adverse impact on the Group's business performance and financial condition through (a) an unexpected change in laws or regulations, or (b) social upheaval for political factors in regions in which we operate.

Consolidated Balance Sheets

Sanyo Chemical Industries, Ltd. and Consolidated Subsidiaries
As of March 31, 2012 (FY2011) and 2011 (FY2010)

	Millions of yen		Thousands of U.S. dollars (Note 4)
	FY2011	FY2010	FY2011
ASSETS			
Current assets:			
Cash and deposits (Notes 5 and 20)	¥ 9,360	¥ 12,044	$ 113,965
Notes and accounts receivable-trade (Notes 6, 18 and 20)	42,567	36,145	518,288
Inventories (Note 7)	17,084	14,996	208,011
Deferred income taxes (Note 12)	1,021	1,386	12,431
Other current assets (Notes 8 and 20)	871	788	10,605
Allowance for doubtful accounts	(36)	(30)	(438)
Total current assets	70,869	65,329	862,888
Property, plant and equipment, at cost (Note 9):			
Buildings and structures	36,418	34,073	443,418
Machinery and vehicles	113,854	105,059	1,386,265
Equipment	11,033	10,846	134,335
Land	8,469	8,524	103,117
Construction in progress	4,534	5,662	55,205
	174,310	164,166	2,122,366
Accumulated depreciation	(119,867)	(112,641)	(1,459,478)
Property, plant and equipment, net (Note 21)	54,443	51,525	662,888
Investments and other assets:			
Investments in securities (Notes 8 and 20)	16,660	16,889	202,849
Investments in unconsolidated subsidiaries and affiliates	4,776	4,740	58,151
Long-term loans receivable	3	3	36
Software	655	561	7,975
Deferred income taxes (Note 12)	304	249	3,701
Other	1,529	1,563	18,616
Allowance for doubtful accounts	(45)	(44)	(547)
Total investments and other assets	23,882	23,963	290,782
Total assets (Note 21)	¥149,196	¥140,817	$1,816,583

	Millions of yen		Thousands of U.S. dollars (Note 4)
	FY2011	FY2010	FY2011
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans (Notes 10 and 20)	¥ 4,911	¥ 3,318	$ 59,795
Current portion of long-term debt (Notes 10 and 20)	3,398	3,164	41,373
Notes and accounts payable-trade (Notes 6, 18 and 20)	27,515	22,289	335,017
Notes payable-other	2,810	1,473	34,214
Accrued expenses	3,141	2,840	38,244
Accrued income taxes (Note 12)	330	1,517	4,018
Accrued bonuses to employees	1,177	1,606	14,330
Accrued bonuses to directors and corporate auditors	60	88	730
Other current liabilities	3,511	3,990	42,749
Total current liabilities	46,854	40,288	570,485
Long-term liabilities:			
Long-term debt less current portion (Notes 10 and 20)	6,927	6,612	84,341
Deferred income taxes (Note 12)	367	332	4,468
Accrued retirement benefits for employees (Note 11)	2,953	3,540	35,955
Accrued retirement benefits for directors and corporate auditors	630	745	7,670
Other long-term liabilities	936	905	11,396
Total long-term liabilities	11,815	12,136	143,857
Total liabilities	58,670	52,425	714,355
Contingent liabilities (Note 15)			
Net assets:			
Shareholders' equity (Note 14):			
Common stock:			
Authorized: 257,956,000 shares			
Issued: 117,673,760 shares			
at March 31, 2012 and 2011	13,051	13,051	158,906
Capital surplus	12,194	12,194	148,471
Retained earnings (Note 22)	64,623	62,571	786,837
Treasury stock, at cost			
7,375,316 shares at March 31, 2012 and			
7,368,901 shares at March 31, 2011	(5,698)	(5,694)	(69,377)
Total shareholders' equity	84,170	82,122	1,024,838
Accumulated other comprehensive income (loss):			
Unrealized gains on other securities (Note 8)	5,329	5,136	64,884
Translation adjustments	(2,203)	(1,986)	(26,823)
Total accumulated other comprehensive income	3,126	3,149	38,061
Minority interests	3,229	3,119	39,315
Total net assets	90,526	88,392	1,102,228
Total liabilities and net assets	¥149,196	¥140,817	$1,816,583

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income and Comprehensive Income

Sanyo Chemical Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 (FY2011) and 2011 (FY2010)

Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars (Note 4)
	FY2011	FY2010	FY2011
Net sales (Notes 18 and 21)	¥141,041	¥136,026	$1,717,289
Cost of sales (Note 18)	116,877	107,876	1,423,073
Gross profit	24,164	28,149	294,216
Selling, general and administrative expenses (Notes 16 and 21)	18,401	18,534	224,047
Operating income (Note 21)	5,762	9,615	70,157
Other income (expenses):			
Interest and dividend income	453	347	5,515
Interest expense	(274)	(168)	(3,336)
Equity in earnings of unconsolidated subsidiaries and affiliates	860	677	10,471
Rent income of real estate	337	355	4,103
Exchange loss, net	(31)	(277)	(377)
Loss on disposal of property, plant and equipment	(417)	(509)	(5,077)
Loss on impairment of property, plant and equipment (Notes 9 and 21)	(41)	(399)	(499)
Loss on impairment of investments in securities (Note 8)	(2)	(3)	(24)
Loss on disaster (Note 17)	—	(376)	—
Other, net	65	174	791
Total other income (expenses), net	948	(179)	11,542
Income before income taxes and minority interests	6,711	9,436	81,711
Income taxes (Note 12):			
Current	1,566	2,849	19,067
Deferred	743	201	9,046
Total income taxes	2,309	3,050	28,113
Income before minority interests	4,401	6,385	53,585
Minority interests	696	1,176	8,474
Net income	¥ 3,704	¥ 5,209	$ 45,099

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note 4)
	FY2011	FY2010	FY2011
Income before minority interests	¥4,401	¥6,385	$53,585
Other comprehensive income (loss) (Note 13):			
Unrealized gains on other securities	193	1,192	2,349
Translation adjustments	(223)	(820)	(2,715)
Total other comprehensive income (loss)	(30)	371	(365)
Comprehensive income	¥4,370	¥6,757	$53,208
Comprehensive income attributable to:			
Shareholders of the Company	¥3,680	¥5,763	$44,807
Minority interests	690	993	8,401

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Sanyo Chemical Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 (FY2011) and 2011 (FY2010)

	Millions of yen							
	Shareholders' equity				Accumulated other comprehensive income (loss)			
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on other securities	Translation adjustments	Minority interests	Total net assets
Balance at April 1, 2010	¥13,051	¥12,194	¥59,017	¥(5,682)	¥3,944	¥(1,349)	¥2,567	¥83,743
Cash dividends paid	—	—	(1,654)	—	—	—	—	(1,654)
Net income	—	—	5,209	—	—	—	—	5,209
Loss on disposition of treasury stock	—	(0)	—	—	—	—	—	(0)
Purchases of treasury stock	—	—	—	(13)	—	—	—	(13)
Disposition of treasury stock	—	—	—	0	—	—	—	0
Net changes in items other than shareholders' equity	—	—	—	—	1,192	(637)	552	1,106
Balance at April 1, 2011	13,051	12,194	62,571	(5,694)	5,136	(1,986)	3,119	88,392
Cash dividends paid	—	—	(1,654)	—	—	—	—	(1,654)
Net income	—	—	3,704	—	—	—	—	3,704
Others	—	—	1	—	—	—	—	1
Purchases of treasury stock	—	—	—	(3)	—	—	—	(3)
Net changes in items other than shareholders' equity	—	—	—	—	193	(216)	110	86
Balance at March 31, 2012	¥13,051	¥12,194	¥64,623	¥(5,698)	¥5,329	¥(2,203)	¥3,229	¥90,526

	Thousands of U.S. dollars (Note 4)							
	Shareholders' equity				Accumulated other comprehensive income (loss)			
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Unrealized gains on other securities	Translation adjustments	Minority interests	Total net assets
Balance at April 1, 2011	$158,906	$148,471	$761,853	$(69,329)	$62,535	$(24,181)	$37,976	$1,076,244
Cash dividends paid	—	—	(20,138)	—	—	—	—	(20,138)
Net income	—	—	45,099	—	—	—	—	45,099
Others	—	—	12	—	—	—	—	12
Purchases of treasury stock	—	—	—	(36)	—	—	—	(36)
Net changes in items other than shareholders' equity	—	—	—	—	2,349	(2,629)	1,339	1,047
Balance at March 31, 2012	$158,906	$148,471	$786,837	$(69,377)	$64,884	$(26,823)	$39,315	$1,102,228

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Sanyo Chemical Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2012 (FY2011) and 2011 (FY2010)

	Millions of yen		Thousands of U.S. dollars (Note 4)
	FY2011	FY2010	FY2011
Operating activities:			
Income before income taxes and minority interests	¥ 6,711	¥ 9,436	$ 81,711
Depreciation and amortization	9,528	8,419	116,011
Loss on disposal of property, plant and equipment	417	509	5,077
Loss on impairment of property, plant and equipment	41	399	499
Loss on disaster	—	376	—
Decrease in accrued bonuses to employees	(428)	(0)	(5,211)
Decrease in accrued retirement benefits for employees	(587)	(758)	(7,147)
Interest and dividend income	(453)	(347)	(5,515)
Interest expense	274	168	3,336
Equity in earnings of unconsolidated subsidiaries and affiliates	(860)	(677)	(10,471)
Loss on impairment of investments in securities	2	3	24
Increase in notes and accounts receivable	(6,500)	(3,038)	(79,142)
Increase in inventories	(2,165)	(1,000)	(26,360)
Increase in notes and accounts payable	5,338	933	64,994
Increase in other liabilities	170	578	2,069
Other, net	(593)	(748)	(7,220)
Subtotal	10,896	14,252	132,667
Interest and dividend income received	1,129	614	13,746
Interest expense paid	(268)	(164)	(3,263)
Income taxes paid	(3,154)	(3,035)	(38,402)
Other, net	270	(307)	3,287
Net cash provided by operating activities	8,872	11,359	108,023
Investing activities:			
Purchases of property, plant and equipment	(11,095)	(9,415)	(135,090)
Acquisition of investments in securities	(31)	(13)	(377)
Other, net	(345)	(512)	(4,200)
Net cash used in investing activities	(11,473)	(9,941)	(139,693)
Financing activities:			
Increase in short-term loans, net	1,719	577	20,930
Proceeds from long-term debt	3,723	7,943	45,330
Repayment of long-term debt	(3,162)	(1,021)	(38,499)
Proceeds from disposition of treasury stock	—	0	—
Redemption of convertible bonds	—	(10,000)	—
Purchase of treasury stock	(3)	(13)	(36)
Cash dividends paid	(1,653)	(1,653)	(20,126)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(580)	(441)	(7,061)
Net cash provided by (used in) financing activities	42	(4,607)	511
Effects of exchange rate changes on cash and cash equivalents	(125)	(331)	(1,521)
Net decrease in cash and cash equivalents	(2,683)	(3,521)	(32,667)
Cash and cash equivalents at beginning of the year	12,044	15,565	146,645
Cash and cash equivalents at end of the year (Note 5)	¥ 9,360	¥12,044	$113,965

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Sanyo Chemical Industries, Ltd. and Consolidated Subsidiaries
March 31, 2012 (FY2011)

1. Basis of Presentation of Consolidated Financial Statements

Sanyo Chemical Industries, Ltd. (the "Company") and its domestic subsidiaries maintain their books of account in conformity with accounting principles and practices generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their respective countries of domicile.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries (the "Group") have been prepared on the basis of accounting principles and practices generally accepted in Japan, as well as in accordance with the provisions set forth in the Corporation Law of Japan (the "Law") and the Financial Instruments and Exchange Act of Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a format which is more familiar to readers outside Japan.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. Summary of Significant Accounting Policies

(1) Principles of Consolidation

The Company had 18 subsidiaries as of March 31, 2012 (FY2011) and 2011 (FY2010). The accompanying consolidated financial statements for the years ended March 31, 2012 (FY2011) and 2011 (FY2010) include the accounts of the Company and its 11 subsidiaries, which are listed below:

Name	Country of incorporation	Equity ownership percentage at March 31, 2012	Fiscal year end
San-Dia Polymers, Ltd.	Japan	60.0%	March 31
San Nopco Ltd.	Japan	100.0	March 31
San Chemical Co., Ltd.	Japan	50.0	March 31
San-Apro Ltd.	Japan	50.0	March 31
Sanyo Kasei (Thailand) Ltd.	Thailand	89.0	December 31
SANAM Corporation	U.S.	100.0	December 31
Sanyo Chemical & Resins LLC	U.S.	100.0	December 31
Sanyo Chemical Texas Industries LLC	U.S.	100.0	December 31
Sanyo Kasei (Nantong) Co., Ltd.	China	100.0	December 31
San-Dia Polymers (Nantong) Co., Ltd.	China	60.0	December 31
Sanyo Chemical (Shanghai) Trading Co., Ltd.	China	100.0	December 31

The accounts of the remaining 7 subsidiaries were excluded from the scope of consolidation as of March 31, 2012 (FY2011) and 2011 (FY2010), because their combined assets, net sales, net income and retained earnings in the aggregate were not material to the consolidated financial statements.

The overseas consolidated subsidiaries have a December 31 year end which differs from that of the Company. As a result, adjustments have been made for any significant intercompany transactions which took place during the period between the year end of these overseas consolidated subsidiaries and the year end of the Company.

All significant intercompany transactions, account balances and unrealized profits among the Group have been eliminated and the portion attributable to minority interests has been charged to minority interests.

Goodwill arising from the difference of cost and underlying net assets at the date of acquisition is amortized over a period of 10 years on a straight-line basis, except that immaterial amounts are charged to income as incurred.

At March 31, 2012 (FY2011) and 2011 (FY2010), the Company had 7 unconsolidated subsidiaries and 5 affiliates. The Company has applied the equity method to investments in 3 unconsolidated subsidiaries, including Sanyo Transport Co., Ltd., and 3 affiliates, including San-Petrochemicals Co., Ltd., for the years ended March 31, 2012 (FY2011) and 2011 (FY2010). The equity method was not applied to the investments in the remaining 4 unconsolidated subsidiaries and 2 affiliates for the years ended March 31, 2012 (FY2011) and 2011 (FY2010) since their total net income and retained earnings were not material.

(2) Foreign Currency Translation

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates in effect at the respective transaction dates. Gain or loss on foreign exchange is credited or charged to income in the year in which the gain or loss is recognized for financial reporting purposes.

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and gain or loss on each translation is credited or charged to income.

All assets and liabilities of the overseas consolidated subsidiaries are translated at the current rates in effect at each balance sheet date while the components of net assets excluding minority interests are translated at historical rates, and revenue and expense items are translated at the average rates of exchange in effect during the year. Adjustments resulting from translating foreign currency financial statements are not included in the determination of net income, but are reported as translation adjustments and minority interests in the accompanying consolidated financial statements.

(3) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks and other highly liquid investments with maturities of three months or less when purchased.

(4) Allowance for Doubtful Accounts

The Group provides an allowance for doubtful accounts at an amount calculated based on their historical experience of bad debts on ordinary receivables plus an additional estimate of probable specific bad debts from customers experiencing financial difficulties.

(5) Investments in Securities

Securities other than those of unconsolidated subsidiaries and affiliates are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities are carried at fair value. Gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, included in accumulated other comprehensive income (loss). Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving-average method.

(6) Inventories

Inventories are stated at lower of cost or net selling value, cost being determined by the average method.

(7) Property, Plant and Equipment (except for leased assets)

Depreciation of buildings (except for the structures attached to the buildings) which were acquired on or after April 1, 1998 for the Company and its domestic consolidated subsidiaries is computed principally by the straight-line method based on the estimated useful lives of the respective assets. Depreciation of other property, plant and equipment is computed principally by the declining-balance method based on the estimated useful lives of the respective assets.

Depreciation for overseas consolidated subsidiaries is principally computed by the straight-line method based on the estimated useful lives of the respective assets.

The principal estimated useful lives used for computing depreciation are as follows:
Buildings and structures: 3 – 50 years
Machinery, vehicles and equipment: 4 – 8 years

(8) Research and Development Costs and Computer Software (except for leased assets)

Research and development costs are charged to income when incurred. Expenditures relating to computer software developed for internal use are charged to income when incurred. If these expenditures contribute to the generation of future income or cost savings, such expenditures are capitalized as assets and amortized by the straight-line method over their respective estimated useful lives, generally 5 years.

(9) Leases

Leased assets under finance lease transactions that do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the term of contract as the useful life.

Finance lease transactions that do not transfer ownership to the lessee, starting on or before March 31, 2008 are accounted for as operating lease transactions.

(10) Income Taxes

Income taxes are calculated based on taxable income and charged to income on an accrual basis. Deferred income taxes are provided for temporary differences between the balances of assets and liabilities for financial reporting purposes and the corresponding balances for tax reporting purposes.

(11) Accrued Bonuses to Employees

Accrued bonuses to employees are computed based on the estimated amount of bonus payments.

(12) Accrued Bonuses to Directors and Corporate Auditors

Accrued bonuses to directors and corporate auditors are computed based on the estimated amount of bonus payments.

(13) Accrued Retirement Benefits for Employees

The Group has a defined benefit pension plan (a comparable form of cash balance plan). Accrued retirement benefits for employees are provided based on the amount of the projected benefit obligation and the fair value of the pension plan assets as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost.

Prior service cost is amortized principally by the straight-line method over a period of 14 years, which is within the estimated average remaining years of service of the eligible employees.

Actuarial gain or loss is amortized in the year following the year in which the gain or loss is recognized principally by the straight-line method over a period of 14 years, which is within the estimated average remaining years of service of the eligible employees.

(14) Accrued Retirement Benefits for Directors and Corporate Auditors

Directors and corporate auditors of the Company and its domestic consolidated subsidiaries are entitled to lump-sum payments under unfunded retirement benefit plans. The provision for retirement benefits for directors and corporate auditors has been made at an estimated amount based on the internal regulations.

(15) Distribution of Retained Earnings

Under the Law and the Company's Articles of Incorporation, the distribution of retained earnings with respect to a given financial period is made by resolution of the Board of Directors held subsequent to the close of the financial period and the accounts for that period do not, therefore, reflect such distributions (Refer to Note 22).

3. Supplementary Information

Effective the year ended March 31, 2012 (FY2011), the Group has adopted "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No. 24, issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No.24, issued on December 4, 2009).

Based on "Practical Guidelines on Accounting Standards for Financial Instruments" (Accounting Practice Committee Statement No.14, issued by the Japanese Institute of Certified Public Accountants), "Reversal of allowance for doubtful accounts" has been recorded in "Other, net" under "Other income" for the year ended March 31, 2012 (FY2011). However, retrospective adjustment was not made for the previous fiscal year.

4. U.S. Dollar Amounts

The U.S. dollar amounts included in the accompanying consolidated financial statements and the notes thereto represent the arithmetical results of translating yen into U.S. dollars at the rate of ¥82.13 to U.S.$1, the approximate exchange rate prevailing on March 31, 2012 (FY2011). The inclusion of such U.S. dollar amounts is solely for convenience and is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at the rate of ¥82.13 to U.S.$1 or at any other rate.

5. Cash and Cash Equivalents

A reconciliation between cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2012 (FY2011) and 2011 (FY2010) and cash and deposits in the consolidated balance sheets as of March 31, 2012 (FY2011) and 2011 (FY2010) has been omitted since there were no reconciliation items.

6. Notes and Accounts Receivable-trade and Notes and Accounts Payable-trade

As March 31, 2012 (FY2011) fell on a holiday for financial institutions in Japan, the following notes and accounts receivable-trade and notes and accounts payable-trade with due dates of March 31, 2012 were included in the respective balances in the accompanying consolidated balance sheet and were settled on the next business day.

	Millions of yen	Thousands of U.S. dollars
	FY2011	FY2011
Notes and accounts receivable-trade	¥3,490	$42,493
Notes and accounts payable-trade	4,852	59,077

7. Inventories

Inventories as of March 31, 2012 (FY2011) and 2011 (FY2010) are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Finished goods and merchandise	¥ 8,513	¥ 7,550	$103,652
Semi-finished goods	4,089	3,718	49,786
Work in process	516	559	6,282
Raw materials, cases and supplies	3,965	3,167	48,277
Total	¥17,084	¥14,996	$208,011

8. Securities and Investments in Securities

At March 31, 2012 (FY2011) and 2011 (FY2010), the Group held no trading securities.

Held-to-maturity debt securities for which market value as of March 31, 2012 (FY2011) and 2011 (FY2010) was available are summarized as follows:

	Millions of yen					
	FY2011			FY2010		
	Carrying value	Market value	Unrealized loss	Carrying value	Market value	Unrealized gain
Bonds whose market value exceeds their carrying value:						
Corporate bonds	¥—	¥—	¥—	¥50	¥50	¥0
Bonds whose market value does not exceed their carrying value:						
Corporate bonds	50	49	(0)	—	—	—
Total	¥50	¥49	¥(0)	¥50	¥50	¥0

	Thousands of U.S. dollars		
	FY2011		
	Carrying value	Market value	Unrealized loss
Bonds whose market value exceeds their carrying value:			
Corporate bonds	$ —	$ —	$—
Bonds whose market value does not exceed their carrying value:			
Corporate bonds	608	596	(0)
Total	$608	$596	$ (0)

Corporate bonds presented in the above table are included in other current assets and investments in securities in the consolidated balance sheets as of March 31, 2012 (FY2011) and 2011 (FY2010), respectively.

Marketable securities classified as other securities as of March 31, 2012 (FY2011) and 2011 (FY2010) are summarized as follows:

	Millions of yen					
	FY2011			FY2010		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥9,013	¥16,340	¥7,326	¥9,022	¥16,557	¥7,535
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	103	96	(7)	86	79	(7)
Total	¥9,117	¥16,436	¥7,318	¥9,109	¥16,637	¥7,527

	Thousands of U.S. dollars		
	FY2011		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	$109,740	$198,952	$89,200
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	1,254	1,168	(85)
Total	$111,006	$200,121	$89,102

Unlisted equity securities of ¥223 million ($2,715 thousand) and ¥202 million as of March 31, 2012 (FY2011) and 2011 (FY2010), respectively, that do not have market value and for which it is difficult to determine the fair value are not included in the above table.

For the years ended March 31, 2012 (FY2011) and 2011 (FY2010), the Group has recognized loss on impairment of marketable equity securities classified as other securities of ¥2 million ($24 thousand) and ¥3 million, respectively.

The Group recognizes loss on impairment of marketable securities classified as other securities if the market value of a security at year end declines by more than 30% compared with its acquisition cost.

Proceeds from and gross realized gain on sales of other securities for the years ended March 31, 2012 (FY2011) and 2011 (FY2010) are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Proceeds	¥0	¥3	$0
Gross realized gain	0	1	0

9. Loss on Impairment of Property, Plant and Equipment

The Group classifies their property, plant and equipment primarily based on reporting segments and factories.

Certain consolidated subsidiaries have recognized loss on impairment of the following classes of property, plant and equipment for the years ended March 31, 2012 (FY2011) and 2011 (FY2010):

			Millions of yen	Thousands of U.S. dollars
Location	Main use	Class	FY2011	FY2011
Tokai City, Aichi Prefecture	Facilities related to information & electrics/electronics	Machinery (Construction in progress)	¥41	$499

			Millions of yen
Location	Main use	Class	FY2010
Texas, U.S.	Facilities related to petroleum and automotives	Buildings and machinery	¥399

For the year ended March 31, 2012 (FY2011), the Company reduced the carrying value of machinery (construction in progress) because the construction plan had been postponed and has not been restarted due to a drop in demand; in addition, it is difficult to convert the above machinery for another use.

For the year ended March 31, 2011 (FY2010), an overseas consolidated subsidiary reduced the carrying value of operating assets, which are anticipated to generate operating losses continuously, to their recoverable amounts. The loss on impairment of property, plant and equipment consisted of ¥177 million for buildings and structures, ¥220 million for machinery and vehicles and ¥0 million for others. The recoverable amounts of these groups of assets are measured at value in use. Value in use is measured as the sum of the anticipated future cash flows discounted at an annual rate of 2.4%.

10. Short-Term Loans and Long-Term Debt

The average annual interest rates applicable to short-term loans outstanding are 3.25% and 2.67% as of March 31, 2012 (FY2011) and 2011 (FY2010), respectively.

Long-term debt as of March 31, 2012 (FY2011) and 2011 (FY2010) is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Unsecured long-term loans from banks with annual average interest rates of 1.559% for current portion and 1.169% for non-current portion, due in installments through 2016	¥10,325	¥9,777	$125,715
Total long-term debt	10,325	9,777	125,715
Less current portion	(3,398)	(3,164)	(41,373)
Total	¥ 6,927	¥6,612	$ 84,341

The aggregate amounts of annual maturities of long-term debt subsequent to March 31, 2012 (FY2011) are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013 (FY2012)	¥ 3,398	$ 41,373
2014 (FY2013)	3,009	36,637
2015 (FY2014)	3,405	41,458
2016 (FY2015)	405	4,931
2017 (FY2016)	105	1,278
Total	¥10,325	$125,715

In order to better ensure financing, the Company has concluded line of credit agreements with four banks. The status of these lines of credit as of March 31, 2012 (FY2011) and 2011 (FY2010) is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Line of credit	¥6,000	¥7,000	$73,054
Credit utilized	—	—	—
Available credit	¥6,000	¥7,000	$73,054

On April 2, 2012 the Company concluded an additional line of credit agreement in the amount of ¥2,000 million ($24,351 thousand) with a bank.

11. Accrued Retirement Benefits for Employees

The following table sets forth the funded and accrued status and the amounts recognized in the accompanying consolidated balance sheets as of March 31, 2012 (FY2011) and 2011 (FY2010) for the Groups' defined benefit pension plan.

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Projected benefit obligation	¥(12,215)	¥(12,055)	$(148,727)
Fair value of plan assets	7,743	7,517	94,277
Unfunded retirement benefit obligation	(4,472)	(4,537)	(54,450)
Unrecognized actuarial loss	2,147	1,705	26,141
Unrecognized prior service cost	(628)	(708)	(7,646)
Accrued retirement benefits for employees	¥ (2,953)	¥ (3,540)	$ (35,955)

The components of retirement benefit expenses for the years ended March 31, 2012 (FY2011) and 2011 (FY2010) are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Service cost	¥734	¥706	$ 8,937
Interest cost	235	243	2,861
Expected return on plan assets	(150)	(149)	(1,826)
Amortization of unrecognized actuarial loss	232	207	2,824
Amortization of unrecognized prior service cost	(79)	(79)	(961)
Retirement benefit expenses	¥971	¥928	$11,822

The assumptions used in accounting for the above pension plan for the years ended March 31, 2012 (FY2011) and 2011 (FY2010) are as follows:

	FY2011	FY2010
Method of attributing benefits to period of service	Straight-line basis	Straight-line basis
Discount rates	1.5%	2.0%
Expected rate of return on plan assets	2.0%	2.0%

The discount rate at March 31, 2011 (FY2010) was 2.0%. As of March 31, 2012 (FY2011), the discount rate was changed to 1.5% in consideration of the decline of interest rates on high-quality long-term debt instruments.

12. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries consist of corporation, inhabitants' and enterprise taxes. The statutory tax rate in Japan for the years ended March 31, 2012 (FY2011) and 2011 (FY2010) is, in the aggregate, approximately 40.3%. Overseas consolidated subsidiaries are subject to the income taxes of the respective countries in which they operate.

Deferred income taxes reflect the net tax effect of the temporary differences between the carrying amounts of the assets and liabilities calculated for financial reporting purposes and the corresponding tax bases reported for income tax purposes. The significant components of the deferred tax assets and liabilities of the Group as of March 31, 2012 (FY2011) and 2011 (FY2010) are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Deferred tax assets:			
Accrued enterprise taxes	¥ 35	¥ 148	$ 426
Accrued retirement benefits for employees	1,076	1,427	13,101
Accrued retirement benefits for directors and corporate auditors	233	303	2,836
Accrued bonuses to employees	441	638	5,369
Loss on devaluation of inventories	386	312	4,699
Social insurance premiums on bonuses payable	54	71	657
Loss on impairment of investments in securities	506	576	6,160
Loss on impairment of investments in affiliates	562	641	6,842
Valuation loss on capital contribution in affiliates	17	20	206
Loss on impairment of property, plant and equipment	705	766	8,583
Tax loss carryforwards	530	666	6,453
Other	586	715	7,135
Gross deferred tax assets	5,137	6,290	62,547
Valuation allowance	(2,178)	(2,572)	(26,518)
Total deferred tax assets	2,958	3,717	36,016
Deferred tax liabilities:			
Deferred gain on sales of property, plant and equipment	(10)	(14)	(121)
Unrealized gains on other securities	(1,989)	(2,391)	(24,217)
Other	—	(8)	—
Total deferred tax liabilities	(2,000)	(2,414)	(24,351)
Net deferred tax assets	¥ 958	¥1,303	$11,664

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2012 (FY2011) and 2011 (FY2010) differ from the statutory rate for the following reasons:

	FY2011	FY2010
Statutory tax rate	40.3%	40.3%
Non-deductible expenses, including entertainment expenses	1.0	0.8
Non-taxable income, including dividend income	(1.1)	(0.5)
Tax credit	(3.4)	(3.6)
Equity in earnings of unconsolidated subsidiaries and affiliates	(2.0)	(1.1)
Amortization of goodwill	—	0.7
Differences between the Japanese statutory tax rate and the overseas consolidated subsidiaries' tax rates	(1.6)	(4.0)
Changes in valuation allowance	(3.2)	(0.4)
Changes in statutory tax rates	3.8	—
Other	0.6	0.1
Effective tax rates	34.4%	32.3%

Due to the promulgation on December 2, 2011 of the "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011), the corporate income tax rate will be lowered and the special corporation tax for restoration will be imposed from fiscal years beginning on or after April 1, 2012 (FY2012).

In line with these revisions, the Company and domestic consolidated subsidiaries changed the statutory tax rate to calculate deferred tax assets and deferred tax liabilities from 40.3% to 37.7% for temporary differences which are expected to be realized during the period from the fiscal year beginning on April 1, 2012 (FY2012) to the fiscal year beginning on April 1, 2014 (FY2014). Similarly, the Company and domestic consolidated subsidiaries changed the statutory tax rate to calculate deferred tax assets and deferred tax liabilities from 40.3% to 35.4% for temporary differences which are expected to be realized from fiscal years beginning April 1, 2015 (FY2015).

As a result of these changes in statutory tax rates, net deferred tax assets (after netting with deferred tax liabilities) increased by ¥25 million ($304 thousand), deferred income taxes increased by ¥253 million ($3,080 thousand) and unrealized gains on other securities increased by ¥279 million ($3,397 thousand) as of March 31, 2012 (FY2011) and for the year then ended.

13. Other Comprehensive Income

An analysis of other comprehensive income for the year ended March 31, 2012 (FY2011) was as follows:

	Millions of yen	Thousands of U.S. dollars
	FY2011	FY2011
Unrealized gains on other securities:		
Losses arising during the year	¥(211)	$(2,569)
Reclassification adjustments	2	24
Before tax effect	(208)	(2,532)
Tax effect	401	4,882
Unrealized gains on other securities	193	2,349
Translation adjustments:		
Losses arising during the year	(223)	(2,715)
Tax effect	—	—
Translation adjustments	(223)	(2,715)
Total other comprehensive income	¥ (30)	$ (365)

14. Shareholders' Equity

The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

Retained earnings include the legal reserve provided in accordance with the provisions of the Law. The legal reserve of the Company included in retained earnings amounted to ¥2,775 million ($33,787 thousand) as of March 31, 2012 (FY2011) and 2011 (FY2010).

Movements in shares outstanding and treasury stock during the years ended March 31, 2012 (FY2011) and 2011 (FY2010) are as follows:

	Thousands of shares			
	April 1, 2011	Increase in the year	Decrease in the year	March 31, 2012
Shares outstanding:				
Common stock	117,673	—	—	117,673
Total	117,673	—	—	117,673
Treasury stock:				
Common stock	7,368	6	—	7,375
Total	7,368	6	—	7,375

	Thousands of shares			
	April 1, 2010	Increase in the year	Decrease in the year	March 31, 2011
Shares outstanding:				
Common stock	117,673	—	—	117,673
Total	117,673	—	—	117,673
Treasury stock:				
Common stock	7,349	20	1	7,368
Total	7,349	20	1	7,368

15. Contingent Liabilities

At March 31, 2012 (FY2011) and 2011 (FY2010), contingent liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Guarantees for:			
Accounts payable of Sunrise Chemical LLC related to fuel gas purchases	¥ 7	¥ 12	$ 85
Long-term debt of Sunrise Chemical LLC	136	277	1,655

16. Selling, General and Administrative Expenses

Major expenses included in selling, general and administrative expenses for the years ended March 31, 2012 (FY2011) and 2011 (FY2010) are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Freight and storage charges	¥ 5,271	¥ 5,081	$64,178
Employees' salaries and bonuses	3,318	3,408	40,399
Research and development cost	4,671	4,940	56,873
Other	5,140	5,104	62,583
	¥18,401	¥18,534	$224,047

17. Loss on Disaster

During the year ended March 31, 2011 (FY2010), the Company suffered losses related to the Great East Japan Earthquake on March 11, 2011. The losses consisted of repair and inspection costs on damaged property, plant and equipment of ¥112 million; loss on damaged inventories of ¥125 million and fixed production overhead costs incurred during a tentative suspension of production activities of ¥139 million.

18. Related Party Transactions

(1) Related Party Transactions Between the Company and its Related Companies

Principal transactions between the Company and its related companies for the years ended March 31, 2012 (FY2011) and 2011 (FY2010) are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Sales of finished goods:			
Toyota Tsusho Corporation	¥ 5,252	¥ 5,940	$ 63,947
Toyotsu Chemiplas Corporation	8,162	6,912	99,379
Purchases of raw materials:			
Toyota Tsusho Corporation	¥19,567	¥15,421	$238,244
Toyotsu Chemiplas Corporation	3,075	2,965	37,440

The prices for the above related party transactions are determined in reference to market value.

The balances due from and due to its related companies as of March 31, 2012 (FY2011) and 2011 (FY2010) are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Accounts receivable-trade:			
Toyota Tsusho Corporation	¥1,513	¥1,646	$ 18,422
Toyotsu Chemiplas Corporation	4,427	3,200	53,902
Accounts payable-trade:			
Toyota Tsusho Corporation	¥8,330	¥6,319	$101,424
Toyotsu Chemiplas Corporation	1,345	1,152	16,376

Toyota Tsusho Corporation is a related company which directly owns 19.5% of the shares of common stock of the Company as of March 31, 2012 (FY2011) and 2011 (FY2010).

Toyotsu Chemiplas Corporation, which directly owns 0.01% of the shares of common stock of the Company as of March 31, 2012 (FY2011) and 2011 (FY2010), is a wholly owned subsidiary of Toyota Tsusho Corporation.

(2) Related Party Transactions Between the Company's Consolidated Subsidiaries and its Related Companies

Principal transactions between the Company's consolidated subsidiaries and its related companies for the years ended March 31, 2012 (FY2011) and 2011 (FY2010) are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Sales of finished goods:			
Toyota Tsusho Corporation	¥12,772	¥12,770	$155,509
Toyotsu Chemiplas Corporation	340	349	4,139
Purchases of raw materials:			
Toyota Tsusho Corporation	¥ 619	¥ 873	$ 7,536
Toyotsu Chemiplas Corporation	166	166	2,021

The prices for the above related party transactions are determined in reference to market value.

The balances due from and due to its related companies as of March 31, 2012 (FY2011) and 2011 (FY2010) are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Accounts receivable-trade:			
Toyota Tsusho Corporation	¥3,016	¥2,429	$36,722
Toyotsu Chemiplas Corporation	146	156	1,777
Accounts payable-trade:			
Toyota Tsusho Corporation	¥ 136	¥ 276	$ 1,655
Toyotsu Chemiplas Corporation	33	45	401

19. Amounts per Share

Amounts per share as of March 31, 2012 (FY2011) and 2011 (FY2010) and for the years then ended are as follows:

	Yen		U.S. dollars
	FY2011	FY2010	FY2011
Net assets	¥791.46	¥773.06	$9.63
Net income:			
Basic	33.59	47.22	0.40
Diluted	—	—	—
Cash dividends	15.00	15.00	0.18

Amounts per share of net assets are computed based on the number of shares of common stock outstanding at the year end.

Basic net income per share is computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Diluted net income per share for the years ended March 31, 2012 (FY2011) and 2011 (FY2010) has not been presented since neither the Company nor any of the consolidated subsidiaries had any potentially dilutive shares as of March 31, 2012 (FY2011) and 2011 (FY2010).

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

20. Financial Instruments

(1) Current Status of Financial Instruments

1) Policy for financial instruments

The Group adopts an investment policy which places the highest priority on safety while balancing liquidity and the benefits of investment. In terms of fund raising, the Group obtains financing from established financial institutions in order to meet capital requirements. The Group did not enter into any derivative contracts and does not have any outstanding derivative transactions as of and for the years ended March 31, 2012 (FY2011) and 2011 (FY2010).

2) Types of financial instruments, related risk and risk management for financial instruments

Notes and accounts receivable-trade are exposed to credit risk of customers. In order to control this risk, the Group monitors balances and due dates for each customer as well as annually reviews credit limits for all customers based on sales management policy.

Securities and investments in securities, including held-to-maturity debt securities and other securities mainly consisting of stocks of business partners, are also exposed to market price volatility risk.

All notes and accounts payable-trade are settled within one year. Short-term loans are mainly appropriated for operating activities and long-term debt is mainly appropriated for capital expenditures.

Long-term debt consists of long-term loans from banks. Variable interest rate loans are exposed to interest rate volatility risk. When long-term loans are financed with variable interest rates, the amount and term of the loans are determined based on close examination of the profit forecast. The Group monitors its cash-flow forecast on a monthly basis in order to control liquidity risk in terms of notes and accounts payable, and loans.

(2) Fair Value of Financial Instruments

Fair value and carrying value of major financial instruments as of March 31, 2012 (FY2011) and 2011 (FY2010) are as follows:

	Millions of yen					
	FY2011			FY2010		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets:						
Cash and deposits	¥ 9,360	¥ 9,360	¥—	¥12,044	¥12,044	¥—
Notes and accounts receivable-trade	42,567	42,567	—	36,145	36,145	—
Securities included in other current assets:						
Held-to-maturity debt securities	50	49	(0)	—	—	—
Investments in securities:						
Held-to-maturity debt securities	—	—	—	50	50	0
Other securities	16,436	16,436	—	16,637	16,637	—
Total assets	¥68,414	¥68,414	¥ (0)	¥64,876	¥64,876	¥ 0
Liabilities:						
Short-term loans	¥ 4,911	¥4,911	¥—	¥ 3,318	¥ 3,318	¥—
Current portion of long-term debt:						
Current portion of long-term loans	3,398	3,450	51	3,164	3,211	46
Notes and accounts payable-trade	27,515	27,515	—	22,289	22,289	—
Long-term loans	6,927	6,897	(29)	6,612	6,587	(24)
Total liabilities	¥42,751	¥42,774	¥22	¥35,386	¥35,408	¥21

	Thousands of U.S. dollars		
	FY2011		
	Carrying value	Fair value	Difference
Assets:			
Cash and deposits	$113,965	$113,965	$ —
Notes and accounts receivable-trade	518,288	518,288	—
Securities included in other current assets:			
Held-to-maturity debt securities	608	596	(0)
Investments in securities:			
Held-to-maturity debt securities	—	—	—
Other securities	200,121	200,121	—
Total assets	$832,996	$832,996	$ (0)
Liabilities:			
Short-term loans	$ 59,795	$ 59,795	$ —
Current portion of long-term debt:			
Current portion of long-term loans	41,373	42,006	620
Notes and accounts payable-trade	335,017	335,017	—
Long-term loans	84,341	83,976	(353)
Total liabilities	$520,528	$520,808	$267

Calculation method of fair value of financial instruments is as follows:

Assets:

Cash and deposits, and notes and accounts receivable-trade

Cash and deposits, notes and accounts receivable-trade are valued at carrying value, which approximates fair value due to maturities of less than one year.

Securities included in other current assets and investments in securities

Securities and investments in securities are valued at market prices. The fair value of bonds represents present value of the total amount of the interest and principal discounted at the interest rate reflecting the remaining periods until maturity and credit risk. Information on securities by category is described in Note 8.

Liabilities:

Short-term loans and notes and accounts payable-trade:

Notes and accounts payable-trade and short-term loans are valued at carrying value which approximates fair value due to maturities of less than one year.

Current portion of long-term debt and long-term debt less current portion

The fair value of the current portion of long-term debt and long-term debt less the current portion with variable interest rates is valued at carrying value, which approximates fair value, as variable interest rates are updated based on the market interest rate. The fair value of the current portion of long-term debt and long-term debt less the current portion with fixed interest rates is based on the present value of the total principal and the interest discounted by the reasonably estimated interest rates to be applied if similar new debts are made.

Unlisted equity securities of ¥4,999 million ($60,866 thousand) and ¥4,942 million as of March 31, 2012 (FY2011) and 2011 (FY2010), respectively that do not have market value and for which it is difficult to determine the fair value, are not included in other securities under investment in securities in the above table.

The redemption schedule for monetary receivables and securities classified as held-to-maturity debt securities with maturity dates as of March 31, 2012 (FY2011) is as follows:

	Millions of yen		Thousands of U.S. dollars	
	FY2011		FY2011	
	Due within one year	Due after one year through five years	Due within one year	Due after one year through five years
Deposits	¥ 9,355	¥—	$113,904	$—
Notes and accounts receivable-trade	42,567	—	518,288	—
Securities:				
Held-to-maturity debt securities	50	—	608	—
	¥51,973	¥—	$632,813	$—

The aggregate amounts of annual maturities of long-term loans subsequent to March 31, 2012 (FY2011) are summarized in Note 10.

21. Segment Information

(1) Segment Information

1) Outline of reporting segments

The Group's reporting segments are components linked to market domains for which separate financial information in available and such domains can be the basis for the Group's research and development activities and strategic planning, etc.

The Group's reporting segments comprise product categories based on goods utilized in the Group's products. They are classified into the following five reporting segments: Toiletries & Health Care, Petroleum & Automotives, Plastics & Textiles, Information & Electrics/Electronics, and Environmental Protection, Construction & Others.

The Toiletries & Health Care segment is engaged in the manufacture and sales of surfactants for detergents/cleaning agents, surfactants for toiletries, pharmaceutical additives, superabsorbent polymers, etc. The Petroleum & Automotives segment is engaged in the manufacture and sales of thermoplastic polyurethane beads (TUB) for the interior parts of automobiles, raw materials for polyurethane foams and lubricating oil additives. The Plastics & Textiles segment is engaged in the manufacture and sales of permanent antistatic agents, carbon fiber/fiberglass agents, etc. The Information & Electrics/Electronics segment is engaged in the manufacture and sales of polymerization toners, toner binders, electrolytes for aluminum electrolytic capacitors, etc. The Environmental Protection, Construction & Others segment is engaged in the manufacture and sales of polymer flocculants for wastewater treatment and polyurethane insulation raw materials, etc.

2) Calculation method of net sales, gain, loss, assets, liabilities and other items by each reporting segment

The accounting policies applied by each reporting segment are consistent with those described in Note 2. "Summary of Significant Accounting Policies."

Segment profit (loss) presented in segment information is calculated based on operating income in the consolidated statements of income.

Intersegment sales are determined in reference to market value.

3) Information on net sales, profit or loss, assets, liabilities, and other items by each Reporting Segment

Reporting segment information as of March 31, 2012 (FY2011) and 2011 (FY2010) and for the years then ended is as follows:

	Millions of yen							
	FY2011							
	Reporting Segments							
	Toiletries & Health Care	Petroleum & Automotives	Plastics & Textiles	Information & Electrics/ Electronics	Environmental Protection, Construction & Others	Subtotal	Adjustments	Total
Segment sales and segment profit (loss):								
Sales to third parties	¥51,054	¥32,589	¥18,624	¥20,504	¥18,269	¥141,041	¥ —	¥141,041
Intersegment sales	—	—	28	—	211	239	(239)	—
Segment sales	51,054	32,589	18,653	20,504	18,480	141,281	(239)	141,041
Segment profit (loss)	¥ 2,761	¥ 437	¥ 2,296	¥ 378	¥ (111)	¥ 5,762	¥ —	¥ 5,762
Segment assets	¥33,722	¥27,500	¥19,580	¥23,299	¥15,957	¥120,060	¥29,135	¥149,196
Other items:								
Depreciation	¥ 2,194	¥ 2,460	¥ 1,467	¥ 2,082	¥ 1,293	¥ 9,498	¥ —	¥ 9,498
Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	—	—	3,444	—	1,052	4,497	—	4,497
Increase in tangible and intangible fixed assets	2,801	3,324	1,995	3,209	1,468	12,799	—	12,799

	Millions of yen							
	FY2010							
	Reporting Segments							
	Toiletries & Health Care	Petroleum & Automotives	Plastics & Textiles	Information & Electrics/ Electronics	Environmental Protection, Construction & Others	Subtotal	Adjustments	Total
Segment sales and segment profit (loss):								
Sales to third parties	¥49,475	¥30,535	¥18,113	¥21,744	¥16,157	¥136,026	¥ —	¥136,026
Intersegment sales	—	—	28	—	164	193	(193)	—
Segment sales	49,475	30,535	18,141	21,744	16,322	136,219	(193)	136,026
Segment profit (loss)	¥ 5,273	¥ 619	¥ 2,001	¥ 1,755	¥ (34)	¥ 9,615	¥ —	¥ 9,615
Segment assets	¥30,255	¥22,311	¥19,356	¥22,445	¥13,545	¥107,915	¥32,902	¥140,817
Other items:								
Depreciation	¥ 2,114	¥ 1,749	¥ 1,539	¥ 1,869	¥ 943	¥ 8,216	¥ —	¥ 8,216
Amortization of goodwill	58	6	80	15	9	171	—	171
Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	—	—	3,501	—	959	4,460	—	4,460
Increase in tangible and intangible fixed assets	5,472	1,799	1,492	1,999	892	11,656	—	11,656

	Thousands of U.S. dollars							
	FY2011							
	Reporting Segments							
	Toiletries & Health Care	Petroleum & Automotives	Plastics & Textiles	Information & Electrics/ Electronics	Environmental Protection, Construction & Others	Subtotal	Adjustments	Total
Segment sales and segment profit (loss):								
Sales to third parties	$621,624	$396,797	$226,762	$249,652	$222,440	$1,717,289	$ —	$1,717,289
Intersegment sales	—	—	340	—	2,569	2,910	(2,910)	—
Segment sales	621,624	396,797	227,115	249,652	225,009	1,720,211	(2,910)	1,717,289
Segment profit (loss)	$ 33,617	$ 5,320	$ 27,955	$ 4,602	$ (1,351)	$ 70,157	$ —	$ 70,157
Segment assets	$410,592	$334,835	$238,402	$283,684	$194,289	$1,461,828	$354,742	$1,816,583
Other items:								
Depreciation	$ 26,713	$ 29,952	$ 17,861	$ 25,350	$ 15,743	$ 115,645	$ —	$ 115,645
Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	—	—	41,933	—	12,808	54,754	—	54,754
Increase in tangible and intangible fixed assets	34,104	40,472	24,290	39,072	17,874	155,838	—	155,838

The reconciliations between segment sales above and net sales in the consolidated statements of income for the years ended March 31, 2012 (FY2011) and 2011 (FY2010), and segment assets above and total assets in the consolidated balance sheets as of March 31, 2012 (FY2011) and 2011 (FY2010) are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Segment sales	¥141,281	¥136,219	$1,720,211
Elimination of intersegment sales	(239)	(193)	(2,910)
Net sales in consolidated statements of income	¥141,041	¥136,026	$1,717,289

	Millions of yen		Thousands of U.S. dollars
	FY2011	FY2010	FY2011
Segment assets	¥120,060	¥107,915	$1,461,828
Elimination of intersegment transactions	(102)	(68)	(1,241)
Corporate assets	29,238	32,970	355,996
Total assets in consolidated balance sheets	¥149,196	¥140,817	$1,816,583

Corporate assets mainly consist of cash and deposits, and investments in securities not attributable to reporting segments.

(2) Related Information

Related information as of March 31, 2012 (FY2011) and 2011 (FY2010) and for the years then ended is as follows:

1) Information by region

a. Sales

	Millions of yen				
	FY2011				
	Japan	U.S.A.	Asia	Other	Total
Sales	¥92,507	¥9,373	¥30,224	¥8,937	¥141,041

	Millions of yen				
	FY2010				
	Japan	U.S.A.	Asia	Other	Total
Sales	¥87,036	¥10,046	¥28,868	¥10,075	¥136,026

	Thousands of U.S. dollars				
	FY2011				
	Japan	U.S.A.	Asia	Other	Total
Sales	$1,126,348	$114,123	$368,001	$108,815	$1,717,289

b. Property, plant and equipment

	Millions of yen				
	FY2011				
	Japan	U.S.A.	China	Other	Total
Property, plant and equipment	¥45,105	¥659	¥8,104	¥574	¥54,443

	Millions of yen				
	FY2010				
	Japan	U.S.A.	China	Other	Total
Property, plant and equipment	¥43,132	¥586	¥7,253	¥552	¥51,525

	Thousands of U.S. dollars				
	FY2011				
	Japan	U.S.A.	China	Other	Total
Property, plant and equipment	$549,190	$8,023	$98,672	$6,988	$662,888

2) Information by principal customers

	Sales value			
	Millions of yen		Thousands of U.S. dollars	
Name of customer	FY2011	FY2010	FY2011	Related segment
Toyota Tsusho Corporation	¥18,025	¥18,711	$219,469	All segments

(3) Loss on impairment of property, plant and equipment by each reporting segment

Loss on impairment of property, plant and equipment by each reporting segment for the years ended March 31, 2012 (FY2011) and 2011 (FY2010) is as follows:

	Millions of yen					
	FY2011					
	Toiletries & Health Care	Petroleum & Automotives	Plastics & Textiles	Information & Electrics/ Electronics	Environmental Protection, Construction & Others	Total
Loss on impairment of property, plant and equipment	¥ —	¥ —	¥ —	¥41	¥ —	¥41

	Millions of yen					
	FY2010					
	Toiletries & Health Care	Petroleum & Automotives	Plastics & Textiles	Information & Electrics/ Electronics	Environmental Protection, Construction & Others	Total
Loss on impairment of property, plant and equipment	¥ —	¥399	¥ —	¥ —	¥ —	¥399

	Thousands of U.S. dollars					
	FY2011					
	Toiletries & Health Care	Petroleum & Automotives	Plastics & Textiles	Information & Electrics/ Electronics	Environmental Protection, Construction & Others	Total
Loss on impairment of property, plant and equipment	$ —	$ —	$ —	$499	$ —	$499

(4) Amortization and Unamortized Balance of Goodwill by each Reporting Segment

There was no goodwill attributable to the reporting segments for the year ended March 31, 2012 (FY2011).

Amortization and unamortized balance of goodwill by each reporting segment as of March 31, 2011 (FY2010) and for the year then ended are as follows:

	Millions of yen					
	FY2010					
	Toiletries & Health Care	Petroleum & Automotives	Plastics & Textiles	Information & Electrics/ Electronics	Environmental Protection, Construction & Others	Total
Amortization of goodwill	¥58	¥6	¥80	¥15	¥9	¥171
Unamortized balance of goodwill	—	—	—	—	—	—

Amortization of goodwill presented in the above table is included in selling, general and administrative expenses in the consolidated statement of income for the year ended March 31, 2011 (FY2010).

22. Subsequent Event

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2012 (FY2011), was approved by the Board of Directors at a meeting held on May 14, 2012:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥7.50 = $0.09 per share)	¥827	$10,069

ERNST & YOUNG

Independent Auditor's Report

The Board of Directors
Sanyo Chemical Industries, Ltd.

We have audited the accompanying consolidated financial statements of Sanyo Chemical Industries, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sanyo Chemical Industries, Ltd. and consolidated subsidiaries at March 31, 2012, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation
We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 4.

Ernst & Young ShinNihon LLC

June 15, 2012
Osaka, Japan

A member firm of Ernst & Young Global Limited

Subsidiaries and Affiliates

Consolidated Subsidiaries

Name	Abbr.	Est.	Head Office
San-Dia Polymers, Ltd.	SDP	2001	4th Fl., No.10 Chuo Bldg., 5-6, Honcho 1-chome, Nihonbashi, Chuo-ku, Tokyo 103-0023, Japan
SAN NOPCO LIMITED	SNL	1966	11 Ikkyo Nomoto-cho, Higashiyama-ku, Kyoto 605-0995, Japan
San Chemical Co., Ltd.	SCC	1982	13-2 Chidori-cho, Kawasaki-ku, Kawasaki, Kanagawa 210-0865, Japan
San-Apro Ltd.	SA	1966	11-1 Ikkyo Nomoto-cho, Higashiyama-ku, Kyoto 605-0995, Japan
Sanyo Kasei (Thailand) Ltd.	SKT	1997	22 Soi Sukhumvit 42, Sukhumvit Road, Prakanong, Klongtoey, Bangkok 10110, Thailand
SANAM Corporation	SANAM	1989	State Highway 837, P.O.Box 567, West Elizabeth, Pennsylvania 15088-0567, USA
Sanyo Chemical & Resins, LLC	SCR	1992	State Highway 837, P.O.Box 567, West Elizabeth, Pennsylvania 15088-0567, USA
Sanyo Chemical Texas Industries, LLC	SCTI	2005	10536 Bay Area Boulevard, Pasadena, Texas 77507, USA
Sanyo Kasei (Nantong) Co., Ltd.	SKN	2003	No.7 Xinkai Road South, Nantong Economic & Technological Development Area, Jiangsu, 226009 China
San-Dia Polymers (Nantong) Co., Ltd.	SDN	2003	No.5 Xinkai Road South, Nantong Economic & Technological Development Area, Jiangsu, 226009 China
Sanyo Chemical (Shanghai) Trading Co., Ltd.	SCST	2007	Rm. 1611, Ruijin Bldg., 205, Maoming Road (S), Shanghai 200020, China

Subsidiaries and Affiliates Accounted for by Equity Method

Name	Abbr.	Est.	Head Office
San-Petrochemicals Co., Ltd.	SPCC	1977	11-2 Sunayama, Kamisu, Ibaraki 314-0255, Japan
Sunrise Chemical LLC	SRC	2000	10500 Bay Area Boulevard, Pasadena, Texas 77507, USA
Sanyo Transport Co., Ltd.	—	1964	3-1-35 Karasakinaka, Takatsuki, Osaka 569-0832, Japan
Nagoya Sanyo Warehouse Co., Ltd.	—	1979	31-1 Shinpo-cho, Tokai, Aichi 476-0005, Japan
Shiohama Chemicals Warehouse Co., Ltd.	—	1983	2-2-6 Yakou, Kawasaki-ku, Kawasaki, Kanagawa 210-0863, Japan
Sanliving Ltd.	SL	1973	11-1 Ikkyo Nomoto-cho, Higashiyama-ku, Kyoto 605-0995, Japan

Business Lines	Capital	Equity Ownership	Tel.
Manufacture and sales of superabsorbent polymers	¥2,000 million	Sanyo Chemical 60%, Mitsubishi Chemical 40%	+81-3-5200-3939
Manufacture and sales of industrial agents for pulp & paper, paints, latex, ceramics, and electronics	¥400 million	Sanyo Chemical 100%	+81-3-3279-3030 (Tokyo branch office)
Manufacture of raw materials for polyurethane foams, polyethylene glycols, etc.	¥400 million	Sanyo Chemical 50%, JX Nippon Oil & Energy Corporation 50%	+81-44-276-1811
Manufacture and sales of DBU and DBN super base compounds, urethane catalysts, curing accelerators for epoxy resins, photo-acid generators, water-soluble rust inhibitors, etc.	¥60 million	Sanyo Chemical 50%, Air-Products 50%	+81-3-3241-2491 (Tokyo branch office)
Manufacture and sales of textile chemicals, surfactants, papermaking chemicals, paint & ink resins, etc.	490.95 million baht	Sanyo Chemical 89%, Toyota Tsusho 10%, VIV Interchem 1%	+66-2-390-2061
Sales of Sanyo Chemical Group's products	US$0.4 million	Sanyo Chemical 100%	+1-412-384-5700
Manufacture of toner resins, etc.	US$1	SANAM 100%	+1-412-384-5700
Manufacture of thermoplastic polyurethane beads	US$1	SANAM 100%	+1-281-909-8971
Manufacture of textile chemicals, surfactants, papermaking chemicals, paint & ink resins, etc.	US$27.5 million	Sanyo Chemical 100%	+86-513-8596-0205
Manufacture and sale of superabsorbent polymers	US$46.9 million	San-Dia Polymers 100%	+86-513-8598-1251
Sales and import/export of Sanyo Chemical Group's products, etc., market surveys in China, and sales-related activities	US$1.8 million	Sanyo Chemical 100%	+86-21-5466-7676

Business Lines	Capital	Equity Ownership	Tel.
Manufacture of EPDM rubber materials (e.g., ENB: Ethylidene norbornene)	¥400 million	Sanyo Chemical 50%, JX Nippon Oil & Energy Corporation 50%	+81-479-46-3031
Manufacture of EPDM rubber materials (e.g., ENB: Ethylidene norbornene)	US$37.4 million	SANAM 50%, JX Nippon Chemical Texas 50%	+1-713-754-1000
General trucking	¥65 million	Sanyo Chemical 100%	+81-72-678-2934
Warehousing of Sanyo Chemical Group products	¥30 million	Sanyo Chemical 100%	+81-52-601-0777
Warehousing for dangerous goods	¥30 million	Sanyo Chemical 50%, JX Nippon Oil & Energy Corporation 50%	+81-44-266-1086
Insurance and travel agency, real estate, and sales of livingware	¥55 million	Sanyo Chemical 100%	+81-75-525-1982

Offices, Laboratories and Factories

☐ Head Office & Research Laboratories

Name	Address	Tel.
Head Office & Research Laboratory	11-1, Ikkyo Nomoto-cho, Higashiyama-ku, Kyoto 605-0995, Japan	+81-75-541-4311
Katsura Research Laboratory	1-40, Goryo Ohara, Nishikyo-ku, Kyoto 615-8245, Japan	+81-75-382-1411

☐ Domestic Offices

Name	Address	Tel.
Tokyo Branch Office Tokyo Area Sales & Marketing Office	No.10 Chuo Bldg., 5-6, Honcho 1-chome, Nihonbashi, Chuo-ku, Tokyo 103-0023, Japan	+81-3-5200-3400
Osaka Branch Office Osaka Area Sales & Marketing Office	10th Fl., Nihon Seimei Sakaisuji Honmachi Bldg., 8-12, Honmachi 1-chome, Chuo-ku, Osaka 541-0053, Japan	+81-6-6267-3410
Nagoya Area Sales & Marketing Office	16th Fl., Nagoya Mitsui Main Bldg., 24-30, Meieki Minami 1-chome, Nakamura-ku, Nagoya, Aichi 450-0003, Japan	+81-52-581-8511
Hokuriku Area Sales & Marketing Office	8th Fl., Daidoseimei Toyama Bldg., 9-10, Honmachi, Toyama 930-0029, Japan	+81-76-442-8900
Chugoku Area Sales & Marketing Office	7th Fl., Hiroshima Daiichiseimei OS Bldg., 2-21, Matoba-cho 1-chome, Minami-ku, Hiroshima 732-0824, Japan	+81-82-264-6743
Nishi-Nihon Area Sales & Marketing Office	9th Fl., Kogin Bldg., 13-2, Tenjin 1-chome, Chuo-ku, Fukuoka 810-0001, Japan	+81-92-714-3436

☐ Domestic Factories

Name	Address	Tel.
Nagoya Factory	31-1, Shinpo-cho, Tokai, Aichi 476-0005, Japan ■ The Nagoya Factory has Sanyo Chemical's largest production capacity and is located in the South of Nagoya Coastal Industrial Areas. Products manufactured at this facility include polyurethane chemicals, polymer flocculants and surfactants. Operation date: 1968 Area: approx. 100,000 m^2	+81-52-604-1161
Kinuura Factory	4-43, Nitto-cho, Handa, Aichi 475-0033, Japan ■ The Kinuura Factory produces alkylene oxide adducts (AOAs, raw materials for polyurethane foams, etc.) in October, FY2010. Operation area: approx. 106,000 m^2	+81-569-23-3455
Kashima Factory	11-1, Sunayama, Kamisu, Ibaraki 314-0255, Japan ■ The Kashima Factory located in Ibaraki Prefecture is Sanyo Chemical's principal production and distribution facility in the Kanto area. This factory is responsible for the manufacture of products such as toner resins, lubricating oil additives, polymer flocculants for municipal wastewater treatment and water-soluble polymers. Operation date: 1976 Area: approx. 130,000 m^2	+81-479-46-3131
Kyoto Factory	11-721, Honmachi, Higashiyama-ku, Kyoto 605-0981, Japan ■ The Kyoto Factory is Sanyo Chemical's first production facility. Products manufactured at this factory include lubricating oil additives, coating agents, adhesives and surfactants. Operation date: 1949 Area: approx. 26,000 m^2 (including the Head Office & Research Laboratory)	+81-75-541-6380

Corporate Information/History

Corporate Information (as of March 31, 2012)

Company Name	SANYO CHEMICAL INDUSTRIES, LTD.
Date of Establishment	November 1, 1949
Number of Employees	1,766 (consolidated)
Capital	¥13,051 million
Head Office	11-1, Ikkyo Nomoto-cho, Higasiyama-ku, Kyoto 605-0995, Japan Tel: +81-75-541-4311 Fax: +81-75-551-2557
URL	http://www.sanyo-chemical.co.jp/

History

Management		Development of New Products
Establishment under the name of Sanyo Oil & Fat Industrial Co., Ltd.	1949	
Kawasaki Factory, now San Chemical, began operations.	1960	SANNIX base material for polyurethane foam, and PEG polyethylene glycol developed.
Corporate name changed to Sanyo Chemical Industry Co.	1963	ACLUBE lubricating oil additive developed.
Nagoya Factory began operations. Stock listed on the Second Section of Osaka Stock Exchange.	1968	
	1969	SANFLOC polymer flocculant developed.
	1972	HIMER toner resin developed.
Kashima Factory began operations.	1976	
San-Petrochemicals Co., Ltd., established.	1977	SANWET superabsorbent polymer developed.
Stock listed on the First Section of Tokyo and Osaka Stock Exchanges.	1978	Enzyme immunoassay diagnostic reagent developed.
San Chemical Co., Ltd., established.	1982	CARRYOL cold flow improver for fuel oil developed.
	1986	SANELEK electrolyte for aluminum electrolytic capacitors, and SANMODUR chemical board developed.
SANAM Corporation, established.	1989	
Hercules-Sanyo Inc., now Sanyo Chemical & Resins, LLC, established. No.2 Research Laboratory built.	1992	UCOAT polyurethane emulsion developed.
	1994	PELESTAT permanent antistatic agent for thermoplastic resins developed.
Sanyo Kasei (Thailand) Ltd., established.	1997	
Nagoya Factory, Kyoto Factory and Kashima Factory obtained ISO 9001 certification. Kinuura Satellite Factory, now Kinuura Factory, began operations.	1999	POWERELEK electrolyte for electric double-layer capacitors developed.
	2000	THERPUS polyurethane bead resin, and NAROACTY nonionic surfactant derived from higher alcohol developed.
San-Dia Polymers, Ltd., established. Nagoya Factory, Kyoto Factory and Kashima Factory obtained ISO14001 certification.	2001	
	2002	ULTIFLOW, EXCELFLOW, and PRIMEPOL base materials for polyurethane foam developed.
Sanyo Kasei (Nantong) Co., Ltd., established. Added Sunrise Chemical LLC, to affiliate. Code of Corporate Ethics enacted.	2003	APEXNARROW polyester beads (intermediates for polymerization toners) developed.
	2004	Super Slurry agent for slurry excavation developed.
Sanyo Chemical Texas, Inc., now Sanyo Chemical Texas Industries, LLC, established.	2005	Enzyme immunoassay diagnostic reagent for small cell lung cancer developed.
	2006	LAUROMACROGOL 100 medical drug, exclusively used in manufacturing developed.
SANYO CHEMICAL (SHANGHAI) TRADING CO., LTD., established.	2007	HISTAT SK cutting fluid for silicon ingots developed. CHEMICLEAN PR cleaning agent for use in hard disk manufacturing developed.
Katsura Research Laboratory began operations. Sanyo Kasei Korea, Ltd., established.	2008	SphereLight proBNP clinical reagent for diagnosis of heart failure developed.
	2009	SHARPFLOW raw material for polyurethane foam developed.
Sanyo Kasei (Taiwan) Ltd., established. AOA production facilities at Kinuura Factory began operations.	2010	PELECTRON permanent antistatic agent for thermoplastic resins developed. SANWET SG superabsorbent polymer developed.
	2011	Pharmaceutical approval for medicinal equipment obtained for first time.

Investor Information

☐ Common Stock (as of March 31, 2012)

Authorized	257,956 thousand shares
Issued	117,673 thousand shares
Number of shareholders	7,986

Note: The number of shares is rounded down to the nearest thousand for this entire section.

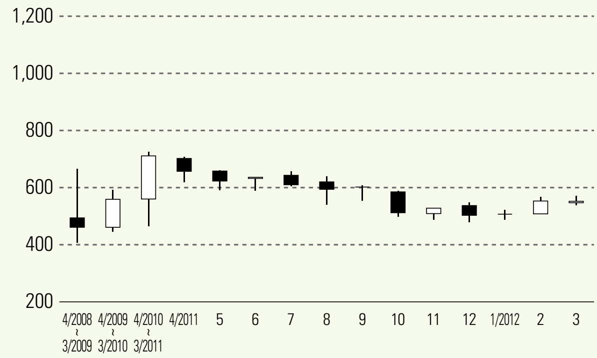
☐ Major Shareholders (as of March 31, 2012)

Name	Number of Shares (thousand shares)	Ratio of Voting Right (%)
Toyota Tsusho Corporation	21,431	19.4
Toray Industries, Inc.	19,133	17.3
NIPPON SHOKUBAI CO., LTD.	5,529	5.0
JX Holdings, Inc.	5,306	4.8
Northern Trust Company AVFC Sub-account American Clients	3,978	3.6
Japan Trustee Services Bank, Ltd. (trust account)	3,892	3.5
Sanyo Chemical Industries Employees' Stockholding Association	2,459	2.2
The Master Trust Bank of Japan, Ltd. (trust account)	1,646	1.5
Northern Trust Company AVFC Re U.S. Tax Exempted Pension Funds	1,557	1.4
CB London RE Fund 116	1,379	1.3

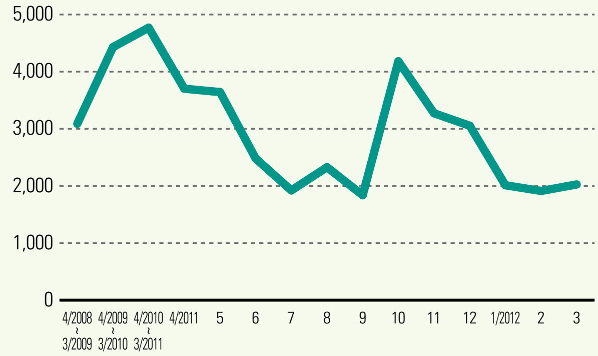
Notes: 1. Treasury stock of 7,375 thousand shares are excluded from the above.
2. Ratio of voting rights is calculated based on the number of issued shares excluding treasury shares.

☐ Stock Price Range and Trading Volume

Stock Price Range (Yen)

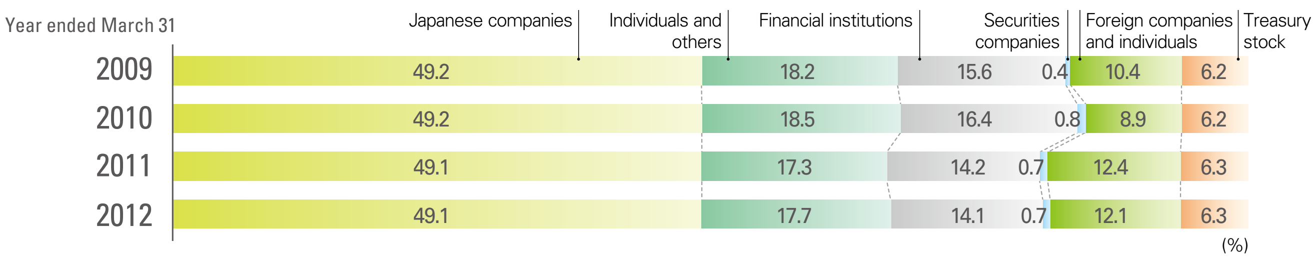


Trading Volume (Thousand shares)



Notes: 1. According to Tokyo Stock Exchange
2. Trading volumes from April 2008 to March 2011 are the average of monthly turnover.

☐ Trend in Ownership Structure (as of March 31, 2012)



☐ Shareholder Information

Fiscal year end	March 31
Year-end dividend record date	March 31
Interim dividend record end	September 30
General shareholders' meeting	Every June
Transfer agent	Sumitomo Mitsui Trust Bank, Ltd. 1-4-1, Marunouchi, Chiyoda-ku, Tokyo 100-0005, Japan
Main Address	Transfer Agency Department Sumitomo Mitsui Trust Bank, Ltd. 8-4, Izumi 2-chome, Suginami-ku, Tokyo 168-0063, Japan
Telephone	+81-3-3323-7111 (main) Transfer agent offices are all branches of Sumitomo Mitsui Trust Bank, Ltd. nationwide
Publicity available	Sanyo Chemical web site at http://www.sanyo-chemical.co.jp/
Stock listings	Tokyo and Osaka Exchanges (Ticker Symbol Number 4471)

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

For further information, please contact us.

Public Relations Dept.

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As a member of the Japan Responsible Care Council (JRCC), Sanyo Chemical places top priority on management methods that protect the environment and ensure safety.

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