

A Statement of Accounts

For the Fiscal Year Ended March 31, 2005

(May 19, 2005 at Tokyo Stock Exchange)



Corporate Data

Date of Establishment : November 1, 1949

Head Office : Higashiyama-ku, Kyoto

Branch Office : Tokyo, Osaka

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

**Number of Consolidated Employees :
Approx. 1480**

**Line of Business : Manufacture & sales
approx. 3000 kinds of
performance chemicals**

Principal Products

| Classifications | Products |
|--|---|
| Surfactants | Surfactant for Textile, Industrial Surfactants |
| Polyurethane Chemicals | Raw Materials for Polyurethane Foam, Polyurethane Resins, Thermoplastic Polyurethane Beads |
| Lipophilic High-molecular Agents | Toner Resins, Polyester Beads, Lubricating Oil Additives, Coating & Adhesives |
| Hydrophilic High-molecular Agents | Superabsorbent Polymers, Polymer Flocculants |
| Specialty Products | Resin and Polymer Modifiers, Antistatic Agents, Electrolyte for Capacitors |
| Others | Diagnostic Reagents, Synthetic Woods |

Subsidiaries

| Subsidiaries | Abbr. | Equity Ownership | Line of Business |
|--------------------------------------|-------|------------------|---|
| San-Dia Polymers, Ltd. | SDP | 60% | Manufacture & Sales of Superabsorbent Polymers |
| San Nopco, Ltd. | SNL | 100% | Manufacture & Sales of Specialty Chemicals |
| San Chemical Co., Ltd. | SCC | 50% | Manufacture & Sales of Polyether Polyols & Polyethylene Glycols |
| San-Apro Ltd. | SA | 50% | Manufacture & Sales of Curing Accelerators for Epoxy Resin, Catalysts for Polyurethane Foam |
| Sanyo Kasei (Thailand) Ltd. | SKT | 89% | Manufacture & Sales of Surfactants, Polyurethane Resins |
| SANAM Corporation | SANAM | 100% | Import & Sales of Sanyo Chemical's Products in U.S. |
| Sanyo Chemical & Resins Inc. | SCR | 100% | Manufacture & Sales of Toner Resins, Polyurethane Resins |
| Sanyo Kasei (Nantong) Co., Ltd. | SKN | 100% | Manufacture & Sales of Surfactants |
| San-Dia Polymers (Nantong) Co., Ltd. | SDN | 60% | Manufacture & Sales of Superabsorbent Polymers |

: Include the voting rights of Subsidiaries

Affiliates

| Affiliates | Mark | Equity Ownership | Line of Business |
|--|-------------|-------------------------|--|
| San-Petrochemicals Co., Ltd. | SPCC | 50% | Manufacture & Sales of Raw Materials for Synthetic Rubber |
| Sunrise Chemical LLC. | SRC | 50%¹⁾ | Manufacture & Sales of Raw Materials for Synthetic Rubber |
| Sanyo Transport Co., Ltd. | - | 100% | General Trucking |
| Nagoya Sanyo Warehouse Co., Ltd. | - | 100% | Warehousing |
| Shiohama Chemical Warehouse Co., Ltd. | - | 50% | Warehousing |
| Sanliving Ltd. | SL | 100% | A Real Estate, Insurance, and Travel Agency |

1): Include the voting rights of Subsidiaries

Result of Operations(Consolidated)

(Millions of yen)

| | The Previous Fiscal Year : FY 2003 | Fiscal Year Ended March 31, 2005 : FY 2004 | From the Previous Fiscal Year | |
|---|---------------------------------------|--|-------------------------------|---|
| | | | Increase (or Decrease) | The Ratio of Increase (or Decrease) |
| Net Sales | 85,061 | 93,454 | 8,393 | 9.9 |
| Operating Income | 4,890 | 5,988 | 1,098 | 22.5 |
| Operating Income Ratio / Net Sales | 5.7% | 6.4% | - | - |
| Ordinary Income | 5,308 | 6,433 | 1,125 | 21.2 |
| Ordinary Income Ratio / Net Sales | 6.2% | 6.9% | - | - |
| Net Income | 3,101 | 3,598 | 497 | 16.0 |

Result of Operations(Non-Consolidated)

(Millions of yen)

| | The Previous Fiscal Year : FY 2003 | Fiscal Year Ended March 31, 2005 : FY 2004 | From the Previous Fiscal Year | |
|---|---------------------------------------|--|----------------------------------|--|
| | | | Increase (or Decrease) Income | The Ratio of Increase (or Decrease) |
| Net Sales | 66,861 | 72,823 | 5,962 | 8.9% |
| Operating Income | 3,816 | 4,678 | 862 | 22.6% |
| Operating Income Ratio / Net Sales | 5.7% | 6.4% | - | - |
| Ordinary Income | 5,351 | 5,883 | 532 | 9.9% |
| Ordinary Income Ratio / Net Sales | 8.0% | 8.1% | - | - |
| Net Income | 3,750 | 3,879 | 129 | 3.4% |

Results of Subsidiaries

(Millions of yen)


| Subsidiaries | Net Sales | | From the Previous Fiscal Year | |
|--------------|------------------------------------|--|-------------------------------|--------------------------------------|
| | The Previous Fiscal Year : FY 2003 | Fiscal Year Ended March 31, 2005 : FY 2004 | Increase (or Decrease) | The Ratio of Increase (or Decrease) |
| SDP | 12,359 | 13,831 | 1,472 | 11.9% |
| SDN | - | - | - | - |
| SNL | 6,635 | 6,740 | 105 | 1.6% |
| SCC | 8,707 | 10,575 | 1,868 | 21.5% |
| SA | 1,164 | 1,341 | 177 | 15.2% |
| SKT | 442 | 736 | 294 | 66.5% |
| SANAM | 1,200 | 2,021 | 821 | 68.4% |
| SCR | 1,032 | 1,536 | 504 | 48.8% |
| SKN | - | 17 | 17 | - |
| Total | 31,539 | 36,797 | 5,257 | 16.7% |

Consolidated Statements of Cash Flows

(Millions of yen)

| | FY 2004 | FY 2003 | FY 2002 |
|---|----------|----------|----------|
| Net Cash Provided by Operating Activities | 10,450 | 8,835 | 10,062 |
| Income Before Income Taxes and Minority Interests | 5,955 | 5,072 | 6,578 |
| Depreciation and Amortization | 6,479 | 6,587 | 5,946 |
| Others | (1, 984) | (2,824) | (2,462) |
| Net Cash Used in Investing Activities | (10,767) | (13,296) | (8,748) |
| Payments for Purchase of Fixed Assets | (9,297) | (10,757) | (8,979) |
| Payments for Purchase of Investments in Securities | (1,613) | (2,383) | (833) |
| Others | 143 | (156) | 1,064 |
| <i>Free Cash Flow</i> | (317) | (4,461) | 1,314 |
| Net Cash Used in Financing Activities | (1, 675) | (2,927) | (2,863) |
| Net Increase (Decrease) in Cash and Cash Equivalents | (1, 919) | (7,627) | (1, 677) |
| Cash and Cash Equivalents at end of the Period | 13,790 | 15,709 | 23,337 |

Analysis of Increased Consolidated Profits from the Previous Fiscal Year : Part

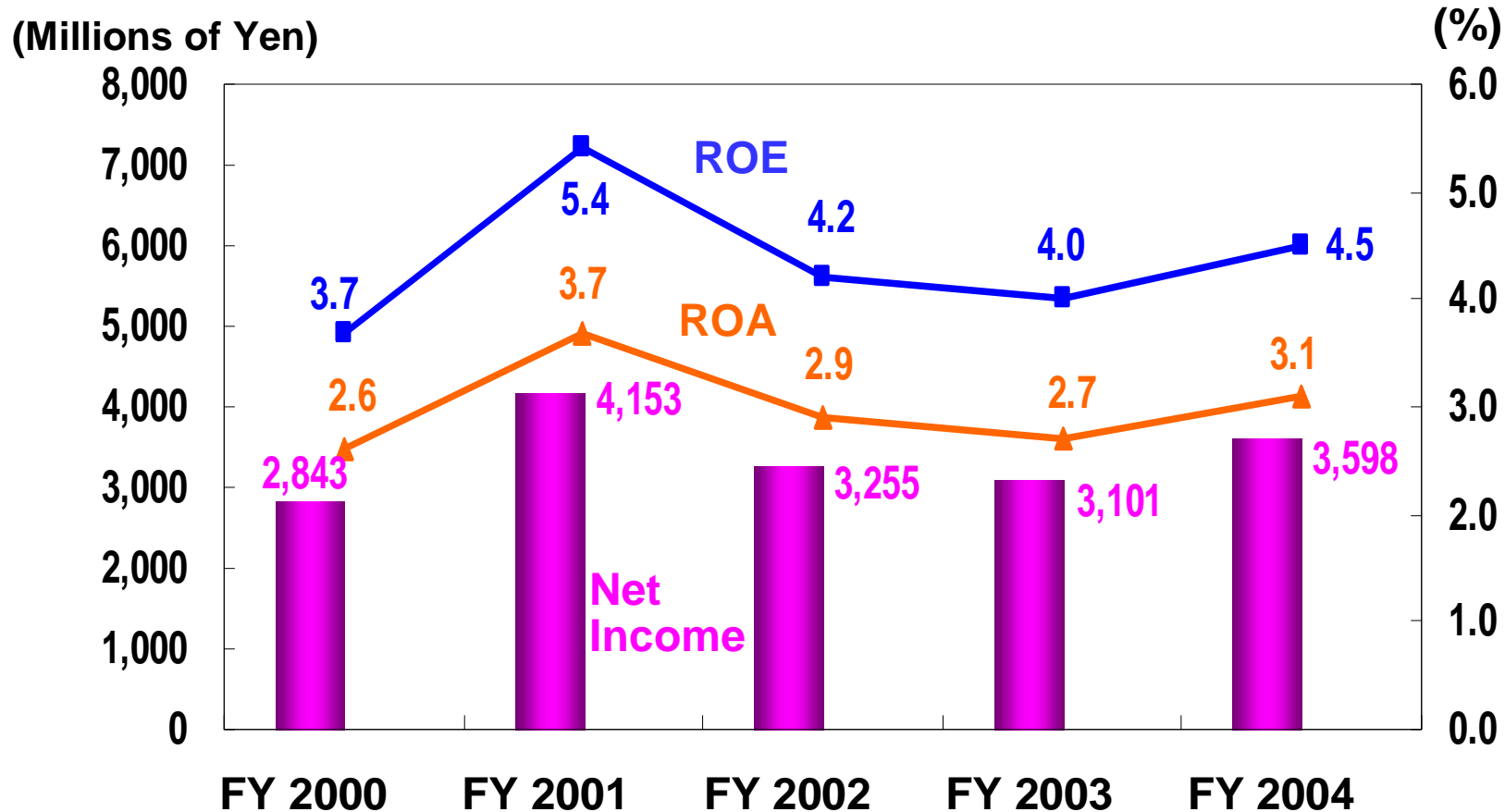
| | | |
|--|---|------------------|
| Increase in Volumes | : | ¥1.74 Billion |
| Improved Profitability for Strategically Developed Products | : | ¥1.60 Billion |
| Reduction a Fixed Costs | : | (¥0.26 Billion) |
| Buying & Selling | : | (¥1.98 Billion) |
| <hr/> | | |
| Increased Operating Income |  | ¥1.10 Billion |
| | | |
| Itemized Buying & Selling | | |
| Raised Raw Material Prices | : | (¥3.71 Billion) |
| Raised Product Prices | : | ¥1.73 Billion |
| <hr/> | | |
| Buying & Selling | : | (¥1.98 Billion) |

Analysis of Increased Consolidated Profits from the Previous Fiscal Year : Part

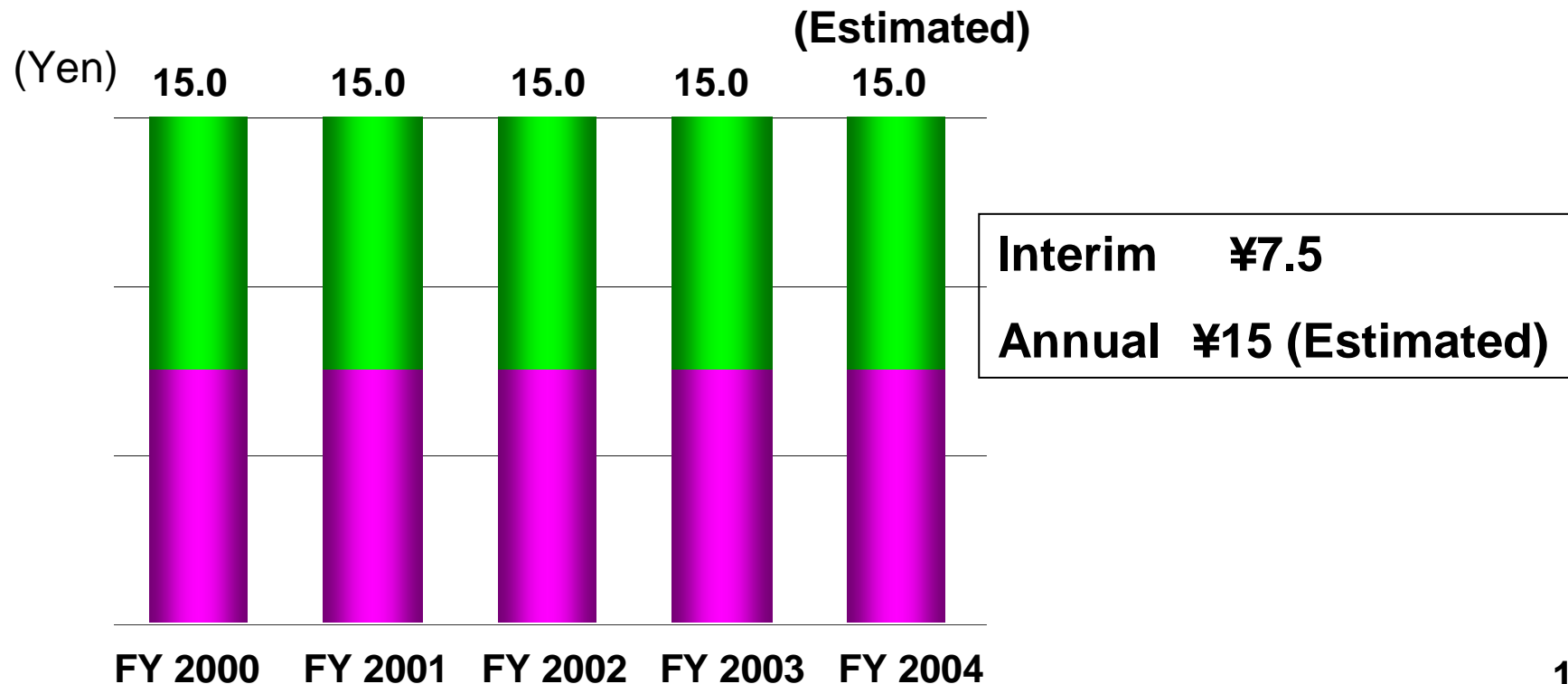
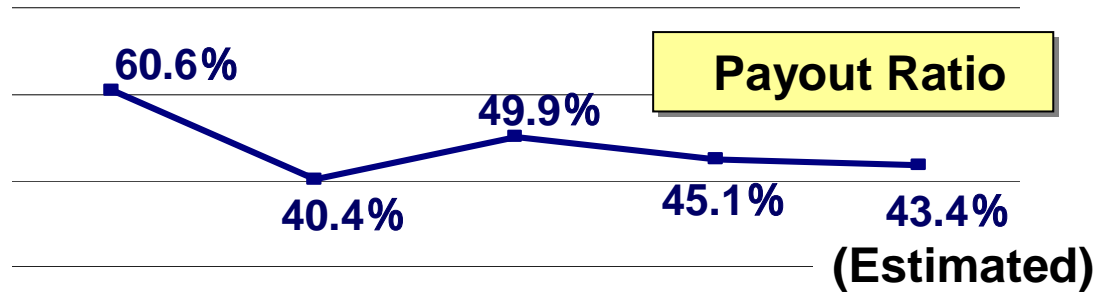
| | | |
|---|----------|-------------------------|
| Non-Consolidated | : | ¥0.86 Billion |
| Domestic Subsidiaries & Affiliates | : | ¥0.30 Billion |
| Overseas Subsidiaries & Affiliates | : | (¥0.06 Billion) |

Increased Operating Income  **¥1.10 Billion**

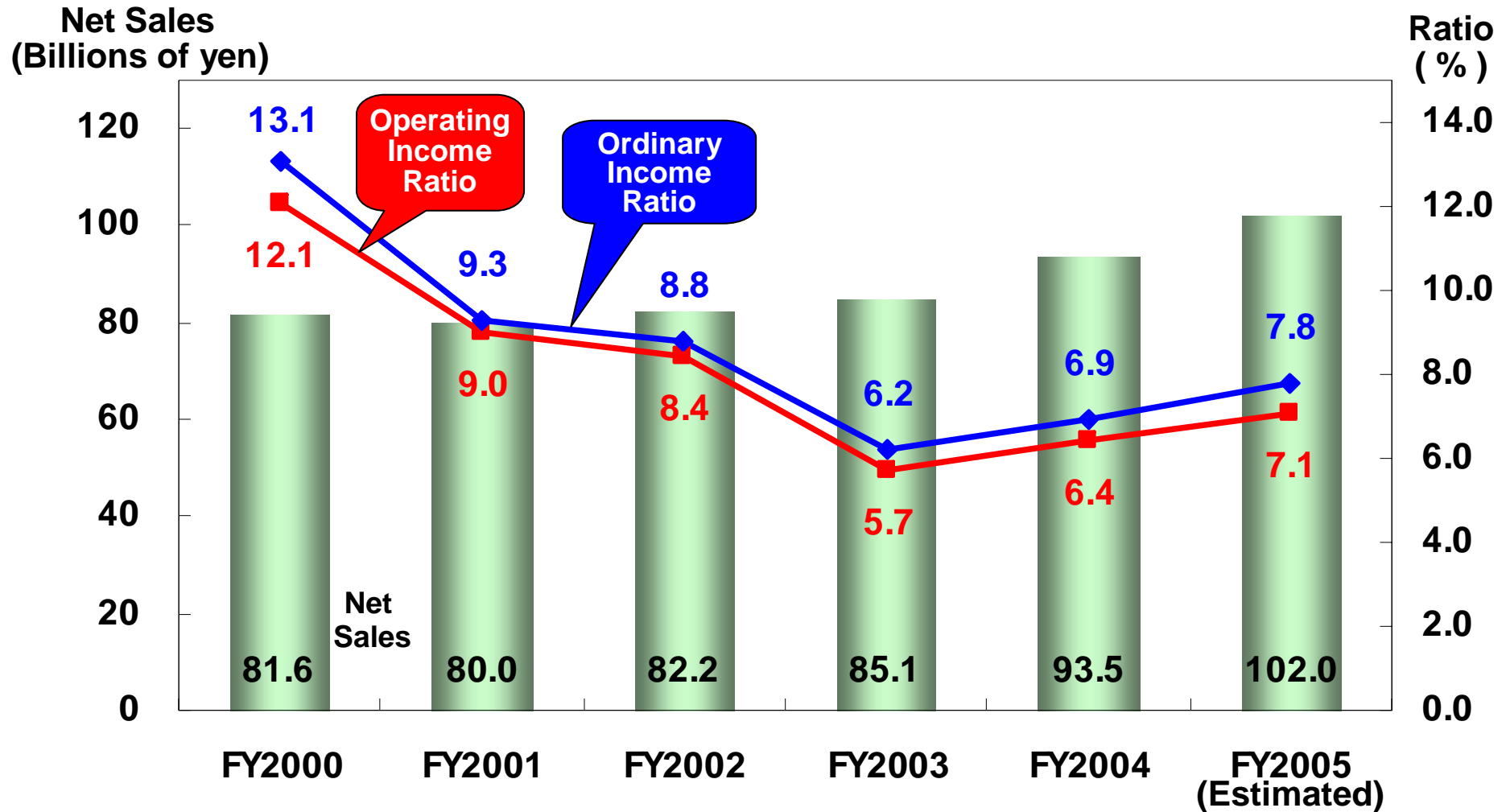
Trends in Net Income, ROA & ROE



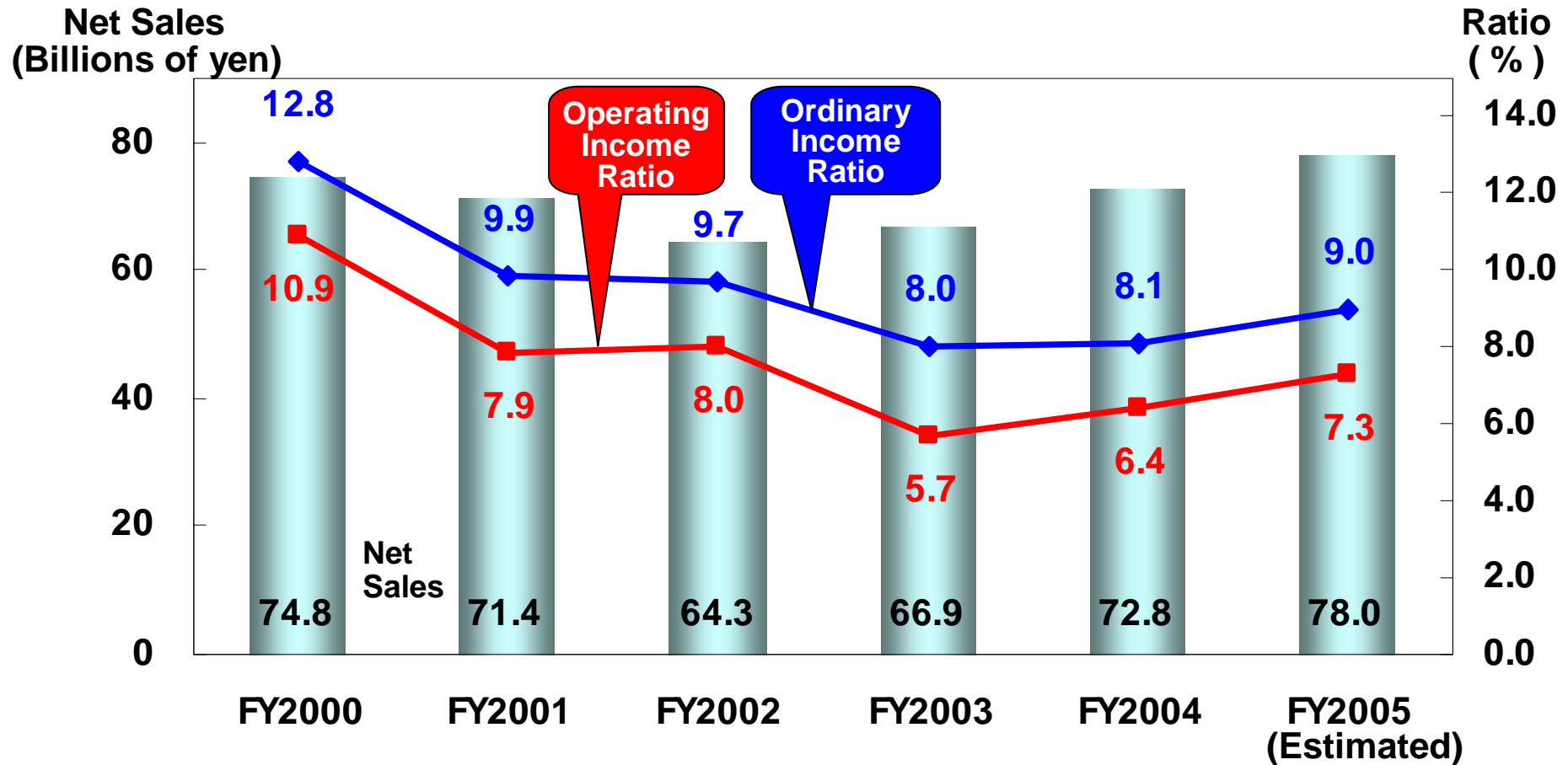
Dividends Per Share



Trends in Net Sales & Income Margin (Consolidated)



Trends in Net Sales & Income Margin (Non-Consolidated)



Net Sales by Product Groups (Consolidated)

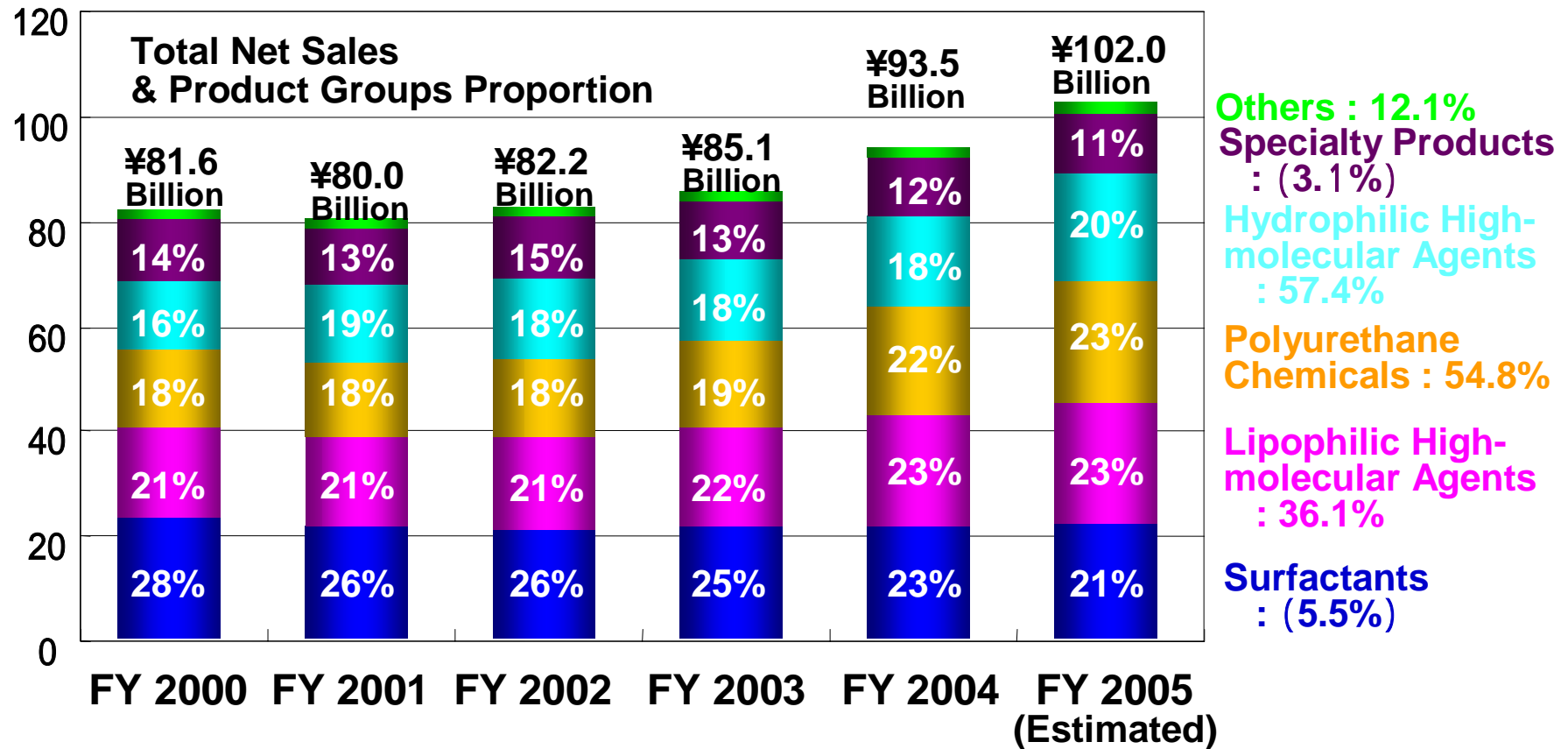
(Billions of yen)

| Classifications | FY 2003 | FY 2004 | From the Previous Fiscal Year(%) | FY 2005 (Estimated) | From the Previous Fiscal Year(%) |
|-----------------------------------|-------------|-------------|----------------------------------|---------------------|----------------------------------|
| Surfactants | 21.4 | 21.5 | 0.5% | 21.7 | 0.9% |
| Polyurethane Chemicals | 16.4 | 20.5 | 25.0% | 23.2 | 13.2% |
| Lipophilic High-molecular Agents | 18.8 | 21.2 | 12.8% | 23.2 | 9.4% |
| Hydrophilic High-molecular Agents | 15.7 | 17.2 | 9.6% | 20.5 | 19.2% |
| Specialty Products | 11.0 | 11.2 | 1.8% | 11.3 | 0.9% |
| Others | 1.7 | 1.9 | 11.8% | 2.0 | 5.3% |
| Total | 85.0 | 93.5 | 10.0% | 101.9 | 9.0% |

Trend in Net Sales by Product Groups (Consolidated)

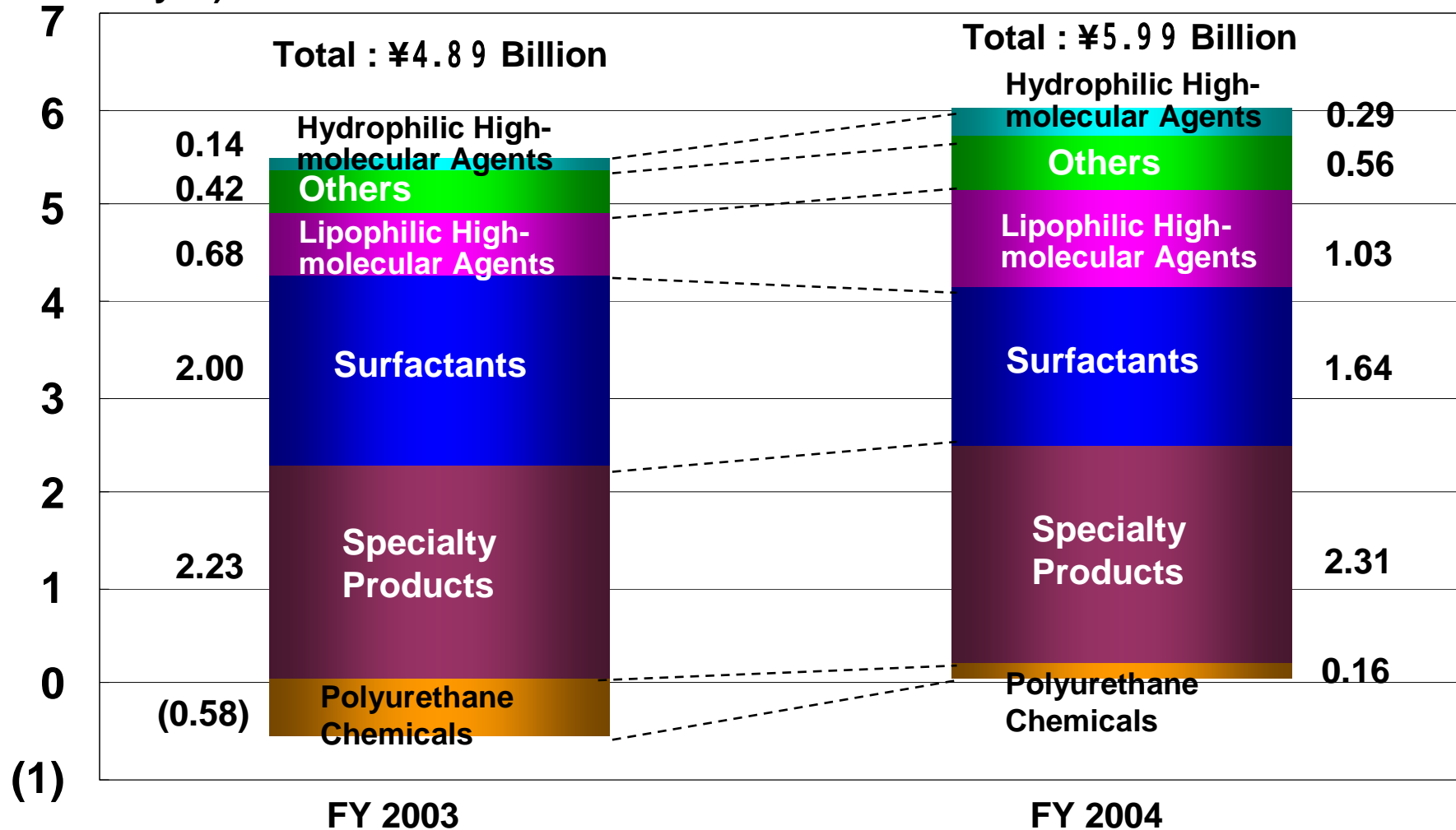
Net Sales
(Billions of yen)

Product Groups : The ratio
of Increase(or Decrease)
to FY 2005 from FY 2000



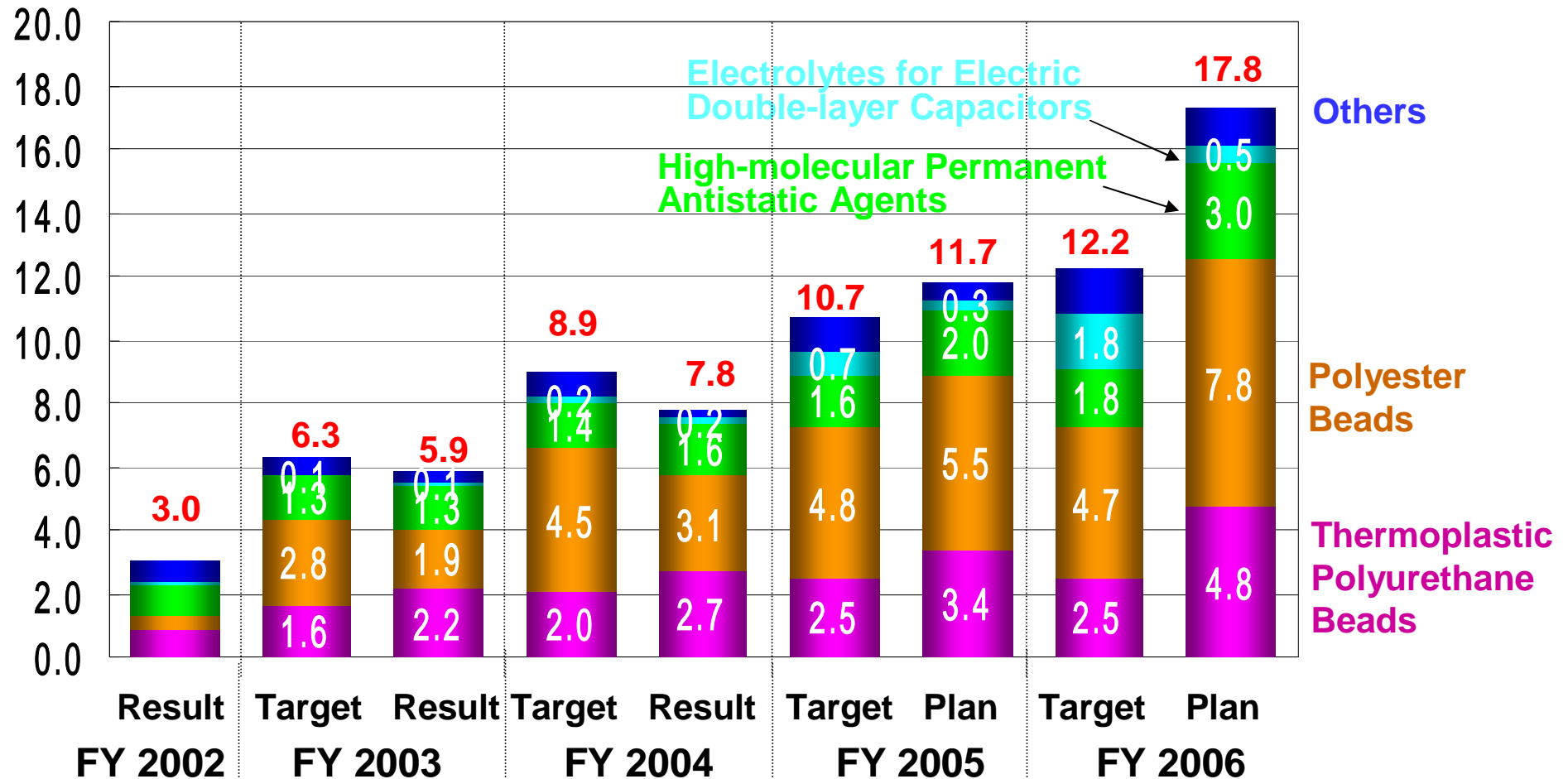
Operating Income by Product Groups (Consolidated)

(Billions of yen)



Progress of Strategically Developed Products

(Billions of yen)



Forecast for FY 2005

(Billions of yen)

| FY 2005 (Estimated) | FY 2004 (Result) | Increase (or Decrease) from the Previous Year |
|--------------------------------|-----------------------------|--|
|--------------------------------|-----------------------------|--|

Consolidated

| | | | |
|----------------------------------|--------------|--------------|--------------|
| Net Sales | 102.0 | 93.5 | 9.1% |
| Operating Income | 7.2 | 6.0 | 20.0% |
| Ordinary Income | 8.0 | 6.4 | 25.0% |
| Net Income | 4.6 | 3.6 | 27.8% |
| Net Income Per Share(Yen) | 41.09 | 32.01 | 28.4% |

Non-consolidated

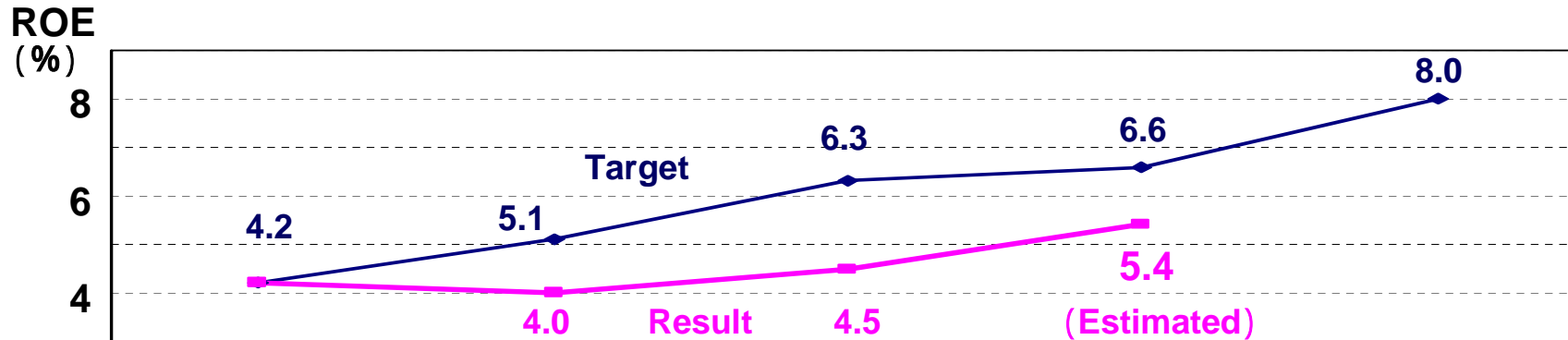
| | | | |
|----------------------------------|--------------|--------------|--------------|
| Net Sales | 78.0 | 72.8 | 7.1% |
| Operating Income | 5.7 | 4.7 | 21.3% |
| Ordinary Income | 7.0 | 5.9 | 18.6% |
| Net Income | 4.0 | 3.9 | 2.6% |
| Net Income Per Share(Yen) | 35.70 | 34.64 | 3.1% |

Forecast of Subsidiaries for FY 2005

(Millions of yen)

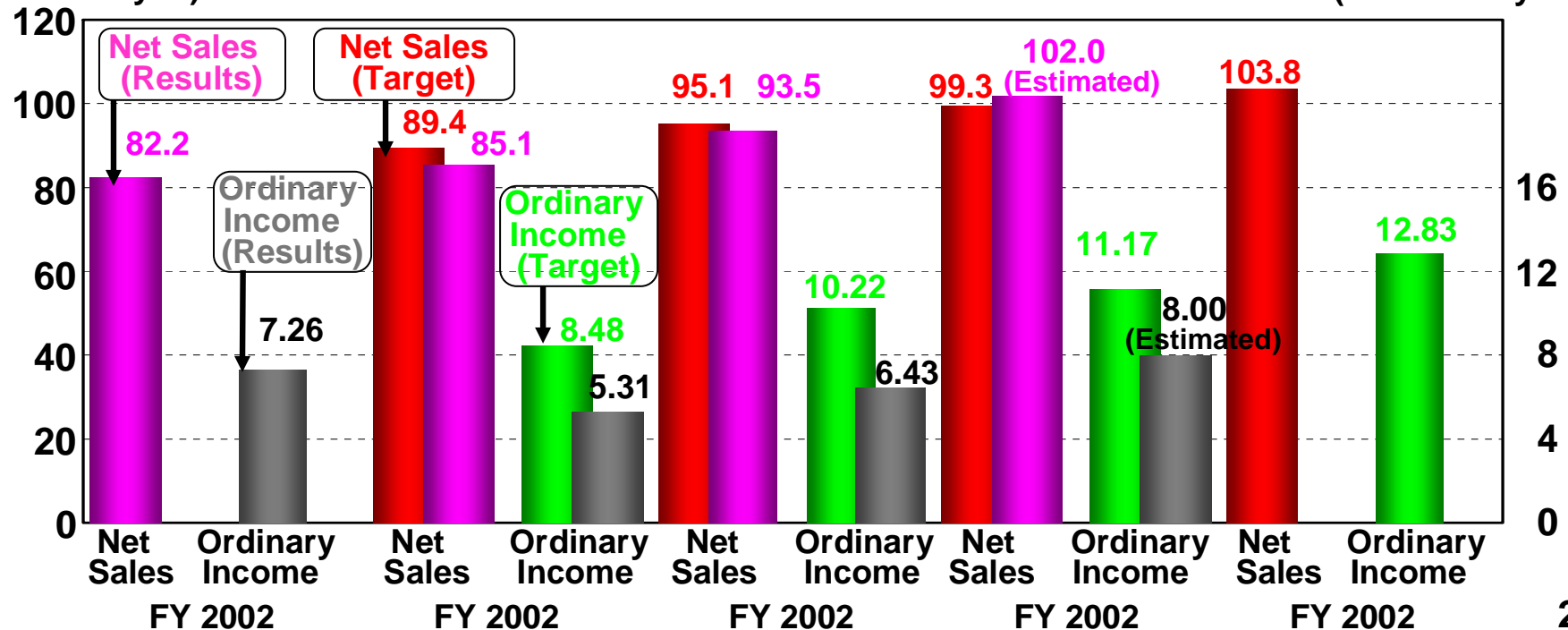
| Subsidiaries | FY 2005 Net Sales (Estimate) | FY 2004 Net Sales (Results) | From the Previous Year | |
|--------------|------------------------------------|-----------------------------------|---|--|
| | | | Increase (or Decrease) Net Sales | The Ratio of Increase (or Decrease) |
| SDP | 15,405 | 13,831 | 1,573 | 11.4% |
| SDN | 1,811 | - | 1,811 | - |
| SNL | 7,546 | 6,740 | 806 | 12.0% |
| SCC | 10,873 | 10,575 | 298 | 2.8% |
| SA | 1,350 | 1,341 | 9 | 0.7% |
| SKT | 1,010 | 736 | 274 | 37.2% |
| SANAM | 2,016 | 2,021 | (5) | (0.2%) |
| SCR | 1,864 | 1,536 | 328 | 21.4% |
| SKN | 698 | 17 | 681 | - |
| Total | 42,573 | 36,797 | 5,776 | 15.7% |

Progress of Sixth Medium-term Management Strategy



Net sales
(Billions of yen)

Ordinary Income
(Billions of yen)



Progress of Promoting Globalization

1) Establishment of Overseas Production Facilities

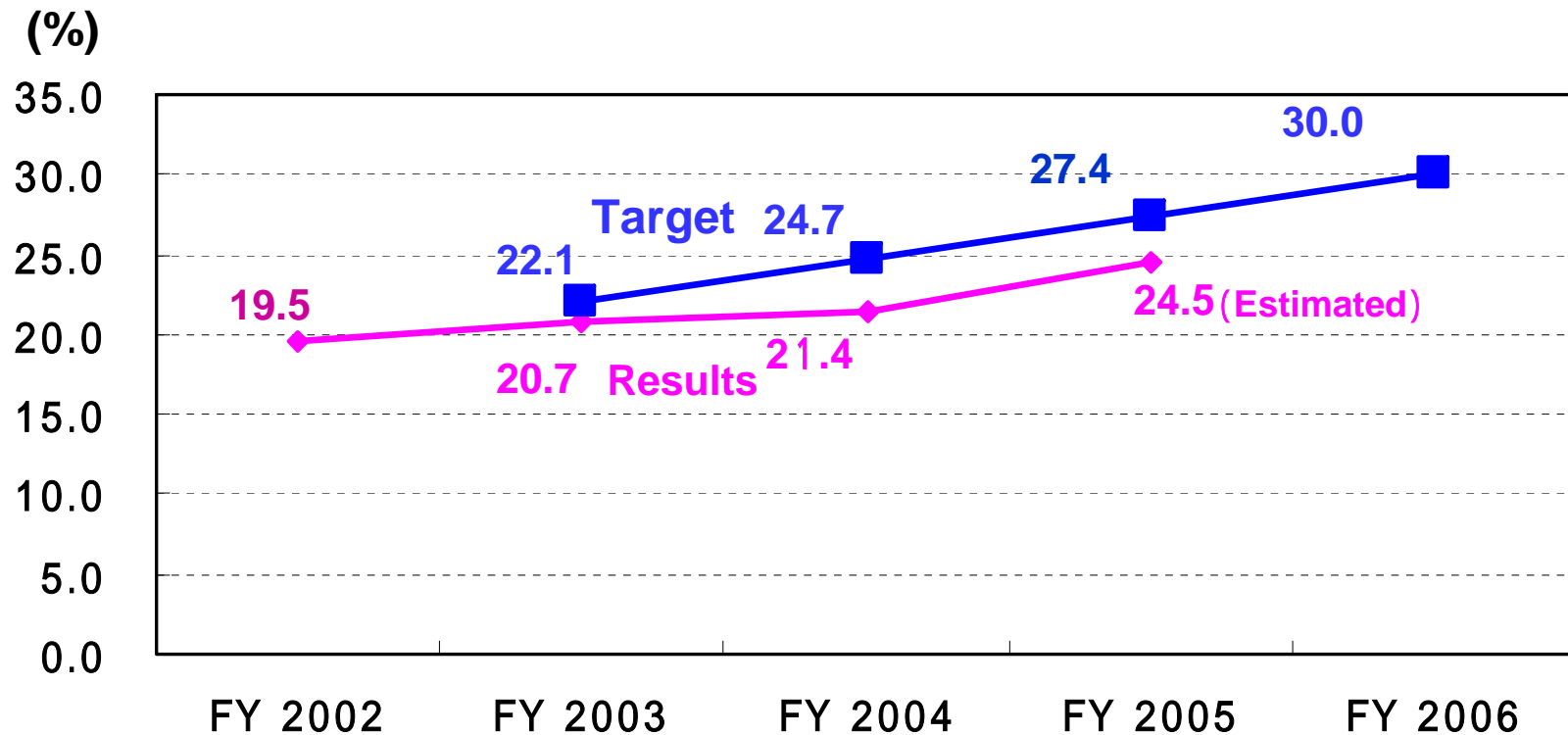
(Billions of yen)

| Area | Subsidiaries | FY 2004 | | FY 2005(Estimated) | |
|---------------|--------------|-----------|-----------------|--------------------|-----------------|
| | | Net Sales | Ordinary Income | Net Sales | Ordinary Income |
| North America | SCR | 1.54 | (0.16) | 1.86 | 0.00 |
| | SANAM | 2.02 | 0.11 | 2.02 | 0.22 |
| ASEAN | SKT | 0.74 | (0.13) | 1.01 | (0.07) |
| China | SKN | 0.02 | (0.26) | 0.70 | (0.25) |
| | SDN | - | - | 1.81 | (0.30) |

2) Enhancement of Overseas Sales Liaison Office

China-Shanghai, India-Mumbai, Taiwan-Taipei,
 Thailand-Bangkok, South Korea-Seoul

Trend in Overseas Sales Ratio



Investment in Plant & Equipment, Depreciation & Amortization, and R&D Investment

(Millions of yen)

| | | FY 2003 (Result) | FY 2004 (Result) | FY 2005 (Estimated) |
|------------------------------------|------------------|---------------------|---------------------|------------------------|
| Investment in Plant & Equipment | Consolidated | 7,333 | 11,368 | 11,000 |
| | Non-Consolidated | 4,379 | 7,036 | 9,000 |
| Depreciation & Amortization | Consolidated | 6,566 | 6,476 | 7,200 |
| | Non-Consolidated | 4,656 | 4,634 | 5,100 |
| R&D Investment | Consolidated | 3,885 | 4,077 | 4,600 |
| | Non-Consolidated | 3,293 | 3,485 | 3,900 |

Main Investment in Plant & Equipment

- * Polyester Beads for Color Toners Production Facilities at the Kashima Factory**
- * Thermoplastic Polyurethane Beads Production Facilities at the Nagoya Factory**
- * Alkylene Oxide Adducts, Which are Base Materials for Polyurethane & Others, Production Facilities at the Nagoya Factory**
- * General-Purpose Organic Synthesis Production Facilities at the Nagoya Factory**

San-Dia Polymers (Nantong) Co., Ltd. Started Commercial Production.

Chinese Subsidiaries of San-Dia Polymers Ltd.



The Whole View of the Factory

Propylene Oxide Large-Scale Storage Tank at the Kinuura Satellite Factory



The Whole View of the Tank and the Berth

Overseas Liaison Office



Seoul Liaison Office in This Building



Mumbai Liaison Office in This Building



Taipei Liaison Office in This Building

This material contains forward-looking statements that are based on Sanyo Chemical's plans at April 28, 2005. Actual results may vary significantly depending on the economic environment where Sanyo Chemical conducts its business, competitive conditions, fluctuations in the exchange rate, material prices, and others.

Please Contact

Sanyo Chemical Industries, Ltd.

Public Relations Dept.

TEL +81-75-541-4312

FAX +81-75-551-2557

e-mail pr-group@sanyo-chemical.com

End