

**A Statement of Accounts**  
**For the Fiscal Year Ended March 31, 2006**

**This material contains forward-looking statements that are based on Sanyo Chemical's plans at April 28, 2006. 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.**

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## **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. 1,550**

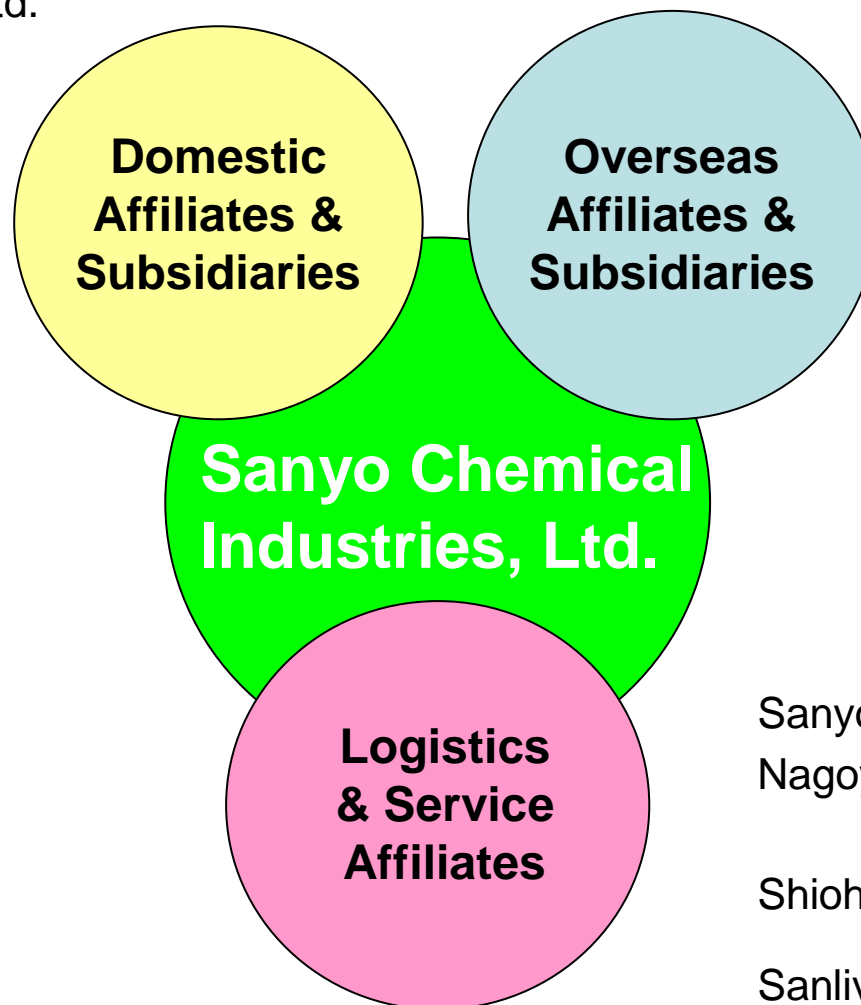
**Line of Business : Manufacture & sales  
approx. 3,000 kinds of  
performance chemicals**

# Principal Products

Classifications	Sub-category	Products
Surfactants	Surfactant for Textiles	Agents for Textile Manufacturing, Dyeing Auxiliaries
	Industrial Surfactants	Agents for Hair Care Products and Detergents
Polyurethane Chemicals	Raw Materials for Polyurethane	Raw Materials for Polyurethane Foam, Polypropylene Glycols (PPG)
	Polyurethane Resins	<b>Thermoplastic Polyurethane Beads (TUB) for the Interior Parts of Automobiles</b> , Resins for Inks
Lipophilic High-molecular Agents	Lubricating Oil & Machine-related Products	Base Materials for Synthetic Lubricating Oils, Viscosity Index Improvers
	Coating & Adhesive-related Products	Potting Resins for Artificial Kidneys, UV and EB Curing Resins
	Office Machine-related Products	<b>Polyester Beads (PEB) as a Core Component of Polymerization Toners</b> , Toner Resins
Hydrophilic High-molecular Agents	Water Treatment-related Products	Polymeric Flocculants for Wastewater Treatment
	Superabsorbent Polymers	Superabsorbent Polymers (SAP)
Specialty Products	Resin & Polymer Modifiers	<b>Permanent Antistatic Agents</b> , Pigment Dispersants
	Electric/Electronic-related Products	<b>Electrolyte for Capacitors</b> , Agents for Silicon Wafer processing
	Others	Polymers for Enhanced Oil Recovery, Civil Engineering and Construction-related Products
Others		Diagnostic Reagents, Synthetic Woods

# Sanyo Chemical Group

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



Sanyo Kasei  
 (Thailand) Ltd.  
 SANAM Corporation  
 Sanyo Chemical &  
 Resins Inc.  
 Sanyo Kasei (Nantong)  
 Co., Ltd.  
 San-Dia Polymers  
 (Nantong) Co., Ltd.  
 Sunrise Chemical LLC.

Subsidiaries  
 Affiliates

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

## Subsidiaries (Domestic)

Subsidiaries	Equity Ownership		Line of Business
San-Dia Polymers, Ltd. (SDP)	Sanyo Chemical Mitsubishi Chemical	60% 40%	Manufacture & Sales of Superabsorbent Polymers
San Nopco, Ltd. (SNL)	Sanyo Chemical	100%	Manufacture & Sales of Specialty Chemicals
San Chemical Co., Ltd. (SCC)	Sanyo Chemical Nippon Oil Corp.	50% 50%	Manufacture & Sales of Polyether Polyols & Polyethylene Glycols
San-Apro Ltd. (SA)	Sanyo Chemical Air-Products	50% 50%	Manufacture & Sales of Curing Accelerators for Epoxy Resin, Catalysts for Polyurethane Foam

## Subsidiaries (Overseas)

Company Name	Equity Ownership	Line of Business
Sanyo Kasei (Thailand) Ltd. (SKT)	Sanyo Chemical 89% <b>Toyota Tsusho Corp.</b> and others 11%	Manufacture & Sales of Surfactants, Polyurethane Resins
SANAM Corporation (SANAM)	Sanyo Chemical 100%	Import & Sales of Sanyo Chemical's Products in U.S.
Sanyo Chemical & Resins Inc. (SCR)	Sanyo Chemical 50% SANAM Corp. 50%	Manufacture & Sales of Toner Resins, Polyurethane Resins
Sanyo Kasei (Nantong) Co., Ltd. (SKN)	Sanyo Chemical 100%	Manufacture & Sales of Surfactants, Polyurethane Resins
San-Dia Polymers (Nantong) Co., Ltd. (SDN)	San-Dia Polymers, Ltd. 100%	Manufacture & Sales of Superabsorbent Polymers

## Affiliates

Company Name	Equity Ownership	Line of Business
San-Petrochemicals Co., Ltd. (SPCC)	Sanyo Chemical 50% Nippon Oil Corp. 50%	Manufacture & Sales of Raw Materials for Synthetic Rubbers
Sunrise Chemical LLC. (SRC)	SANAM Corp. 50% Nisseki Chemical Texas 50%	Manufacture & Sales of Raw Materials for Synthetic Rubbers
Sanyo Transport Co., Ltd.	Sanyo Chemical 100%	General Trucking
Nagoya Sanyo Warehouse Co., Ltd.	Sanyo Chemical 100%	Warehousing
Shiohama Chemical Warehouse Co., Ltd.	Sanyo Chemical 50% Nippon Oil Corp. 50%	Warehousing
Sanliving Ltd. (SL)	Sanyo Chemical 100%	A Real Estate, Insurance, and Travel Agency

## Result of Operations (Consolidated)

(Millions of yen)

	The Previous Fiscal Year : FY 2004	Fiscal Year Ended March 31, 2006 : FY 2005	From the Previous Fiscal Year	
			Increase or Decrease	The Ratio of Increase or Decrease
Net Sales	93,454	108,413	14,959	16.0%
Operating Income	5,988	7,197	1,209	20.2%
Ratio / Net Sales	6.4%	6.6%	-	-
Ordinary Income	6,433	7,946	1,513	23.5%
Ratio / Net Sales	6.9%	7.3%	-	-
Net Income	3,598	3,155	(443)	(12.3%)
Ratio / Net Sales	3.9%	2.9%	-	-
Net Income Per Share (Yen)	32.01	27.95	(4.06)	(12.7%)

## Result of Operations (Non-Consolidated)

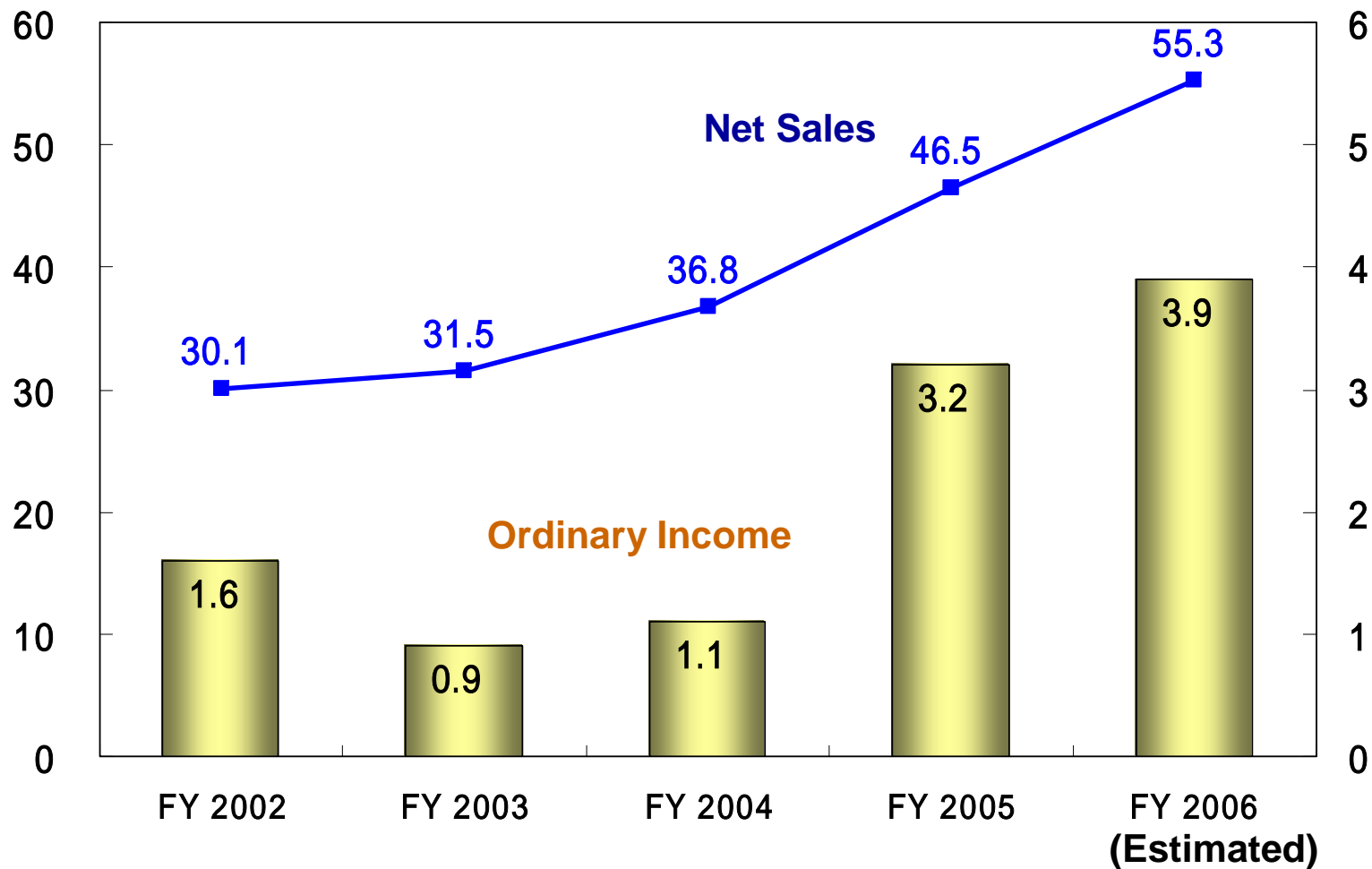
(Millions of yen)

	The Previous Fiscal Year : FY 2004	Fiscal Year Ended March 31, 2006 : FY 2005	From the Previous Fiscal Year	
			Increase or Decrease	The Ratio of Increase or Decrease
Net Sales	72,823	82,107	9,284	12.7%
Operating Income	4,678	4,040	(638)	(13.6%)
Ratio / Net Sales	6.4%	4.9%	-	-
Ordinary Income	5,883	5,818	(65)	(1.1%)
Ratio / Net Sales	8.1%	7.1%	-	-
Net Income	3,879	2,477	(1,402)	(36.1%)
Ratio / Net Sales	5.3%	3.0%	-	-
Net Income Per Share (Yen)	34.60	21.86	(12.74)	(36.8%)

## Subsidiaries Results

**Net Sales**  
(Billions of yen)

**Ordinary Income**  
(Billions of yen)



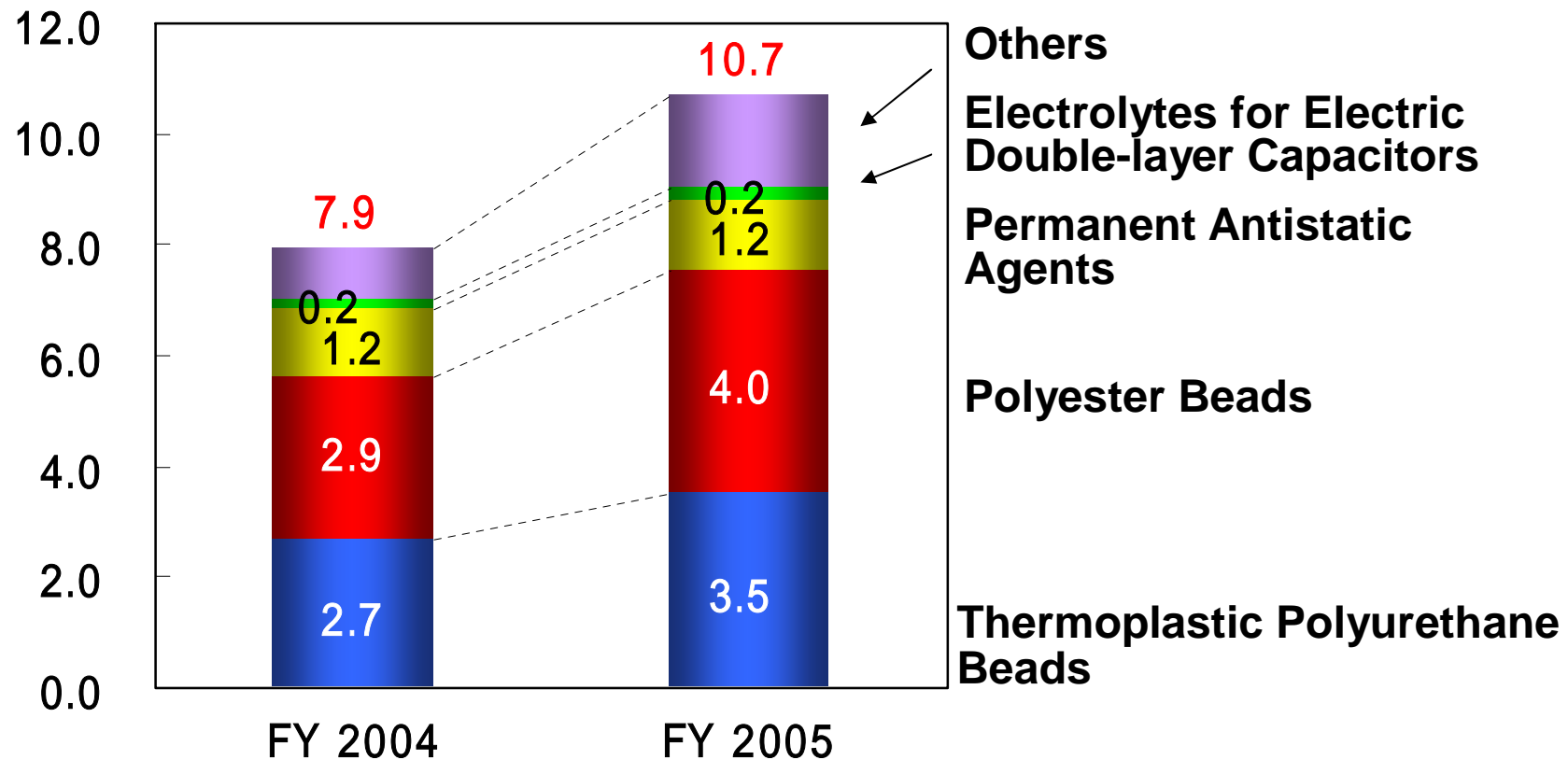
## Analysis of Increased Consolidated Net Sales from the Previous Fiscal Year

(Billions of yen)

<b>Increase in Volumes</b>	<b>Strategically Developed Products</b>	2 . 8
	<b>Other products</b>	5 . 9
<b>Raised Product Prices</b>		6 . 3
<b>Total</b>		15 . 0

# Net Sales of Strategically Developed Products

**Net Sales**  
(Billions of yen)



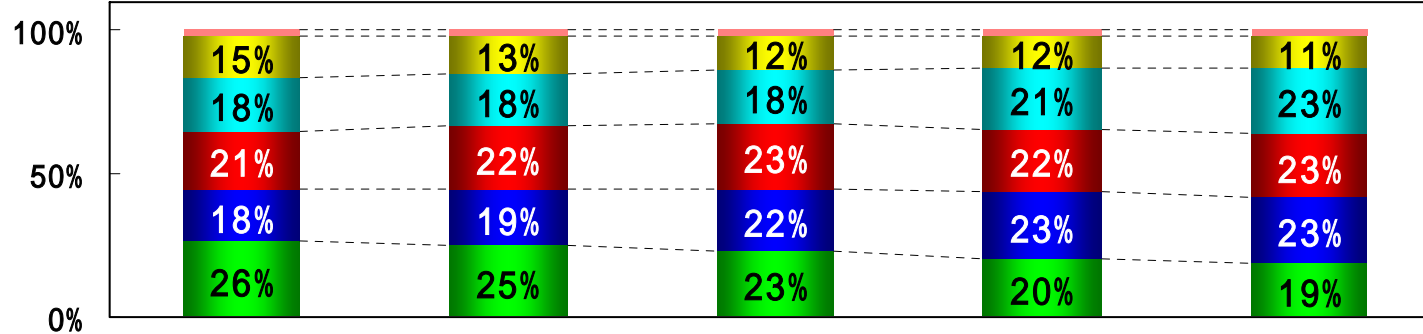
# Net Sales by Product Groups (Consolidated)

(Billions of yen)

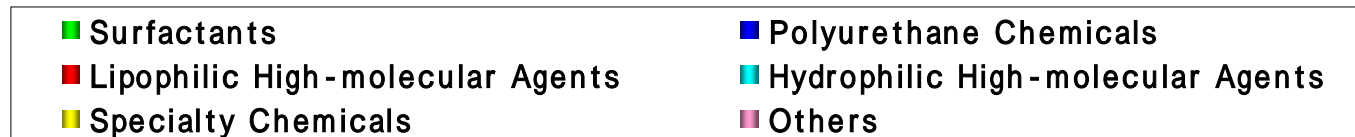
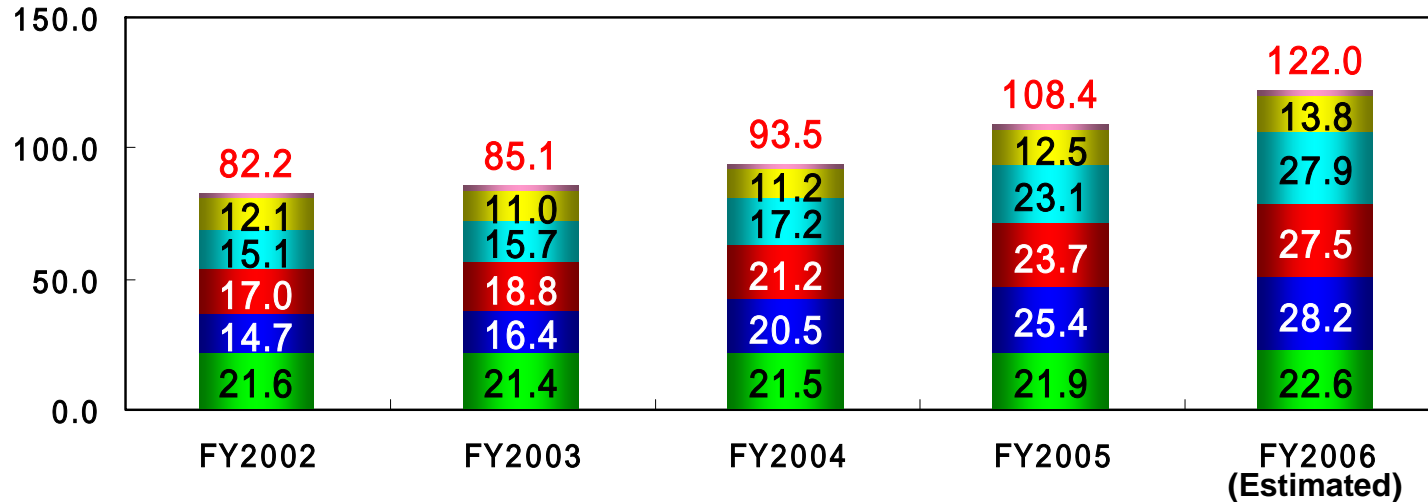
Classifications	Sub-category	FY 2004	FY 2005	From the Previous FY	FY 2006 (Estimated)	From the Previous FY
Surfactants	Surfactant for Textile	4 . 4	4 . 2	( 5 %)	4 . 2	0 %
	Industrial Surfactants	17 . 0	17 . 7	4 %	18 . 4	4 %
Polyurethane Chemicals	Raw Materials for Polyurethane Foam	13 . 9	18 . 2	31 %	20 . 0	10 %
	Polyurethane Resins	6 . 6	7 . 2	9 %	8 . 3	15 %
Lipophilic High-molecular Agents	Lubricating Oil & Machine-related Products	7 . 7	8 . 7	13 %	9 . 0	3 %
	Coating & Adhesive-related Products	3 . 4	3 . 8	12 %	4 . 5	18 %
	Office Machine-related Products	10 . 1	11 . 2	11 %	13 . 9	24 %
Hydrophilic High-molecular Agents	Water Treatment Products	3 . 0	2 . 9	( 3 %)	3 . 1	7 %
	Superabsorbent Polymers	14 . 3	20 . 2	41 %	24 . 8	23 %
Specialty Products	Resin & Polymer Modifiers	4 . 9	4 . 8	( 2 %)	5 . 3	10 %
	Electric/Electronic-related Products	3 . 4	4 . 0	18 %	4 . 8	17 %
	Others	2 . 9	3 . 6	24 %	3 . 6	0 %
Others		1 . 9	1 . 9	0 %	2 . 1	11 %
<b>Total</b>		<b>93 . 5</b>	<b>108 . 4</b>	<b>16 %</b>	<b>122 . 0</b>	<b>13 %</b>

# Net Sales & Proportion by Product Groups (Consolidated)

Proportion(%)



Net Sales (Billions of yen)

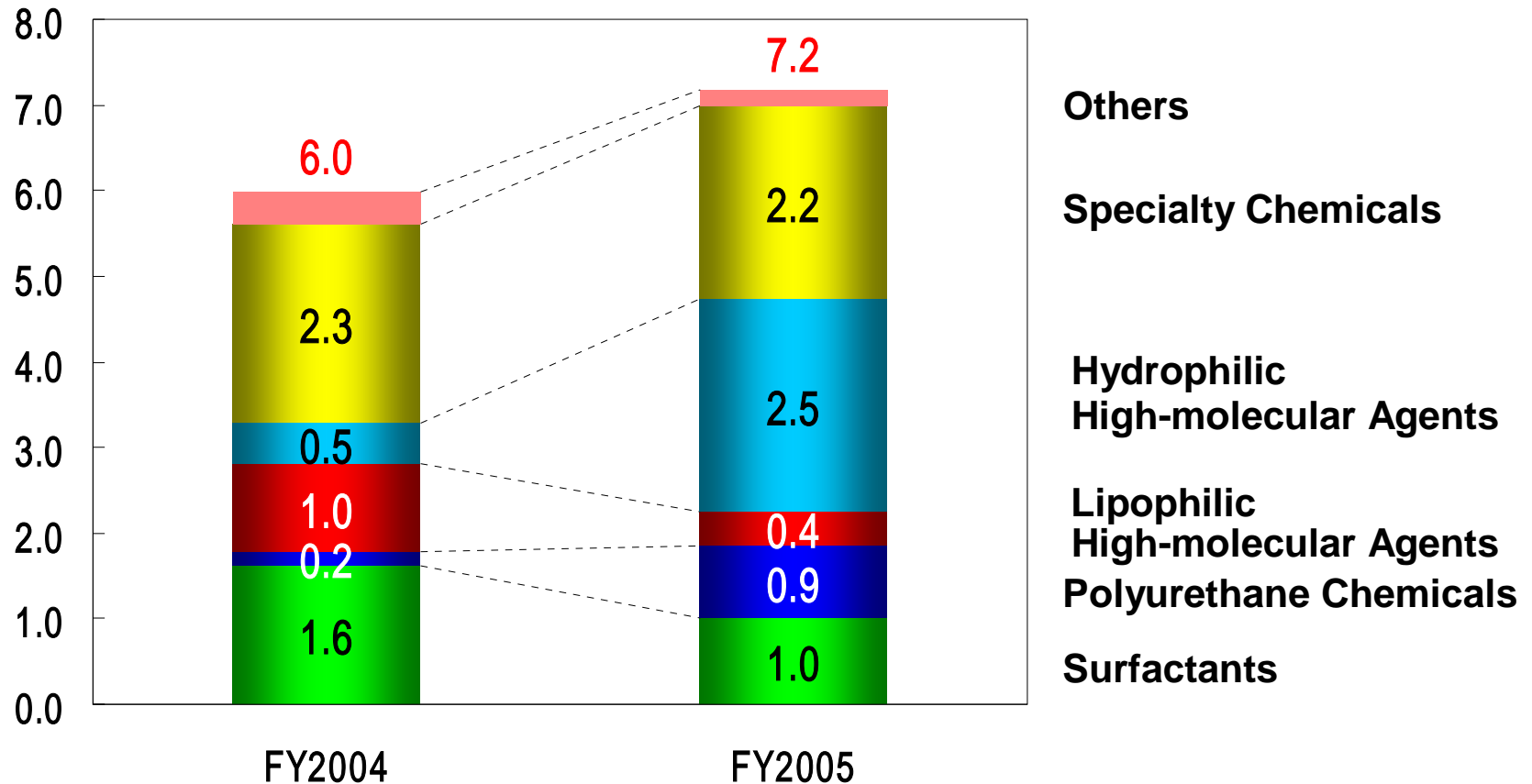


## Analysis of Increased or Decreased Operating Income from the Previous Fiscal Year

(Billions of yen)

		Consolidated	Non-consolidated
<b>Increase in Volume</b>		2 . 3	1 . 6
<b>Itemized Buying &amp; Selling</b>	<b>Raised Raw Material Costs</b>	( 6 . 6 )	( 4 . 9 )
	<b>Revised Product Prices</b>	6 . 3	3 . 2
<b>Fixed Costs</b>		( 0 . 8 )	( 0 . 5 )
<b>Total</b>		1 . 2	( 0 . 6 )

## Operating Income by Product Groups (Consolidated)



## Impairment Loss of Fixed Assets (Consolidated)

(Billions of yen)

Relation	Applied Company	Substance	Transaction	Amount	Impact on Net Income
Subsidiaries	S D P	Building & Machinery at Ogaki Plant	Impairment loss of fixed assets	0 . 5 7	( 0 . 1 7 )
		Machinery of idle assets at Nagoya Plant	Impairment loss of fixed assets	0 . 0 6	( 0 . 0 2 )
	S K N	Property, plant and equipment	Impairment loss of fixed assets	0 . 5 9	( 0 . 5 9 )
Affiliates	Sanyo Transport	Land of idle assets	Loss in equity in earnings of unconsolidated subsidiaries and affiliates	0 . 2 9	( 0 . 2 9 )
Total				1 . 5 1	( 1 . 0 7 )

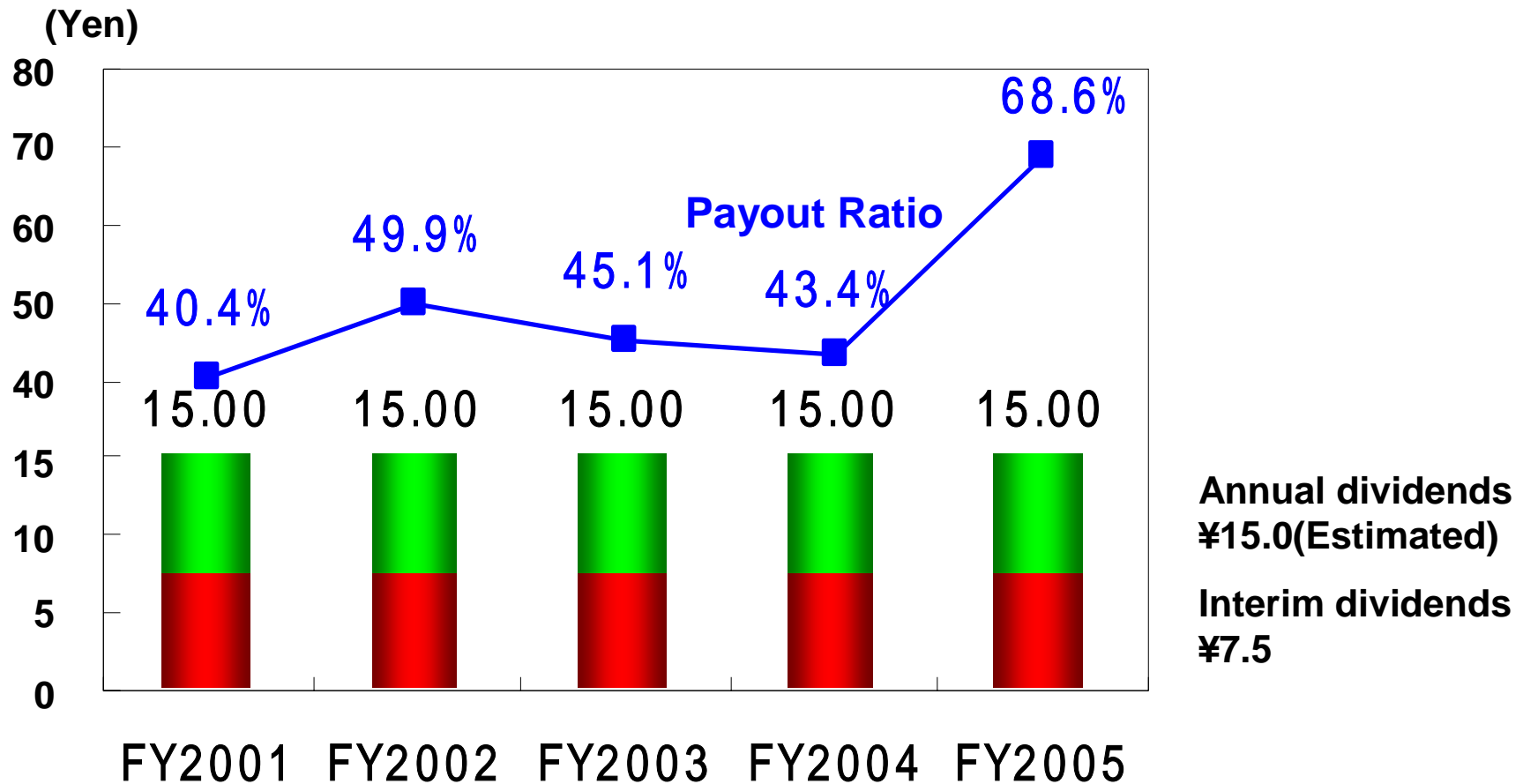
# Loss on Valuation of Shares of Subsidiaries (Non-Consolidated)

(Billions of yen)

Applied Company	Substance	Transaction	Amount	Impact on Net Income
S K T	Loss on valuation of shares	Loss on valuation of investments in securities	1 . 1 1	( 1 . 1 1 )
S C R	Loss on valuation of shares	Loss on valuation of investments in securities	0 . 4 5	( 0 . 4 5 )
Total			1 . 5 6	( 1 . 5 6 )

**These extraordinary loss have been evaluated to consolidated results.**

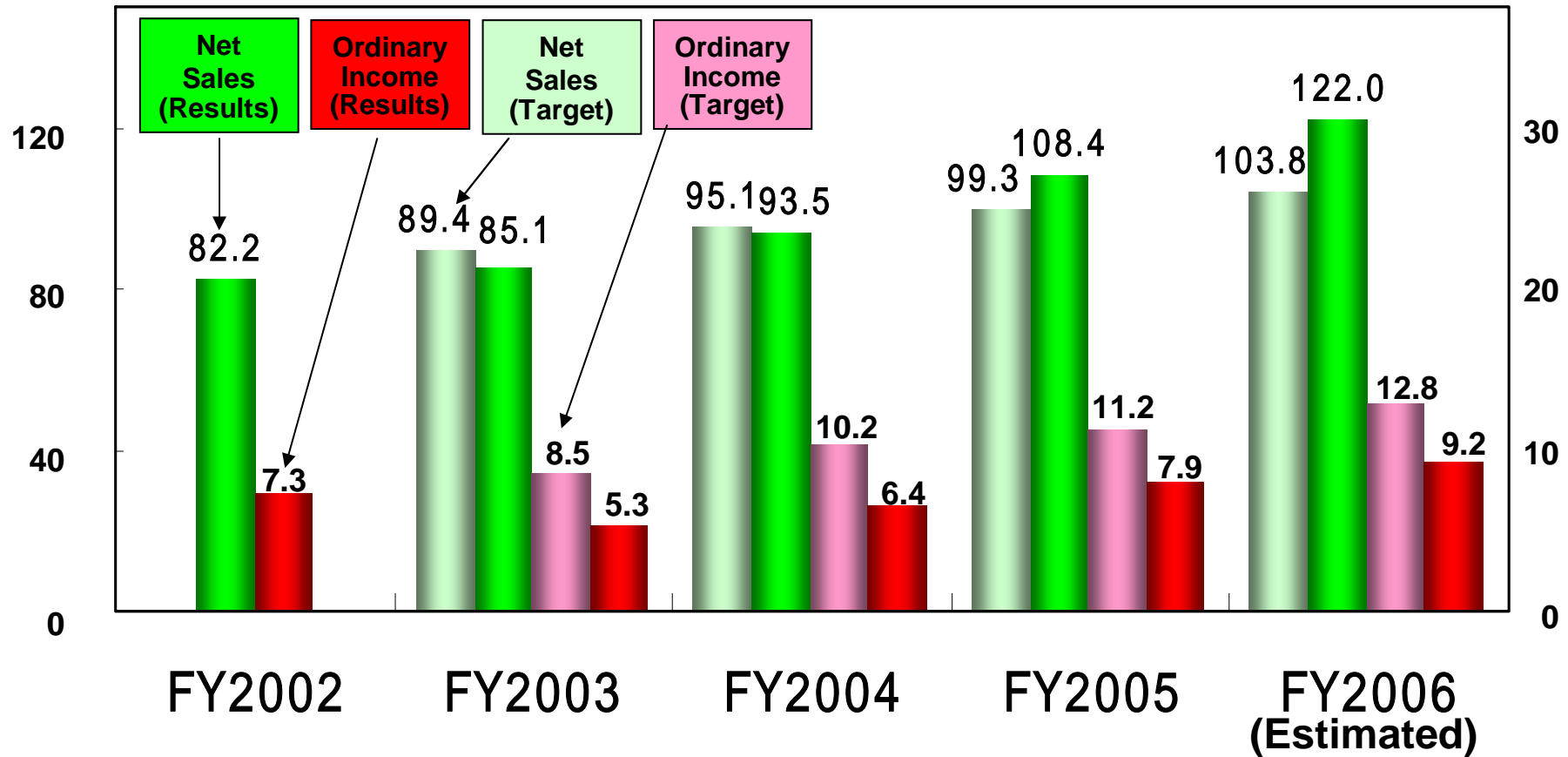
## Dividends per Share (Non-consolidated)



# Progress of sixth Medium-term Management Strategy

Net Sales  
(Billions of yen)

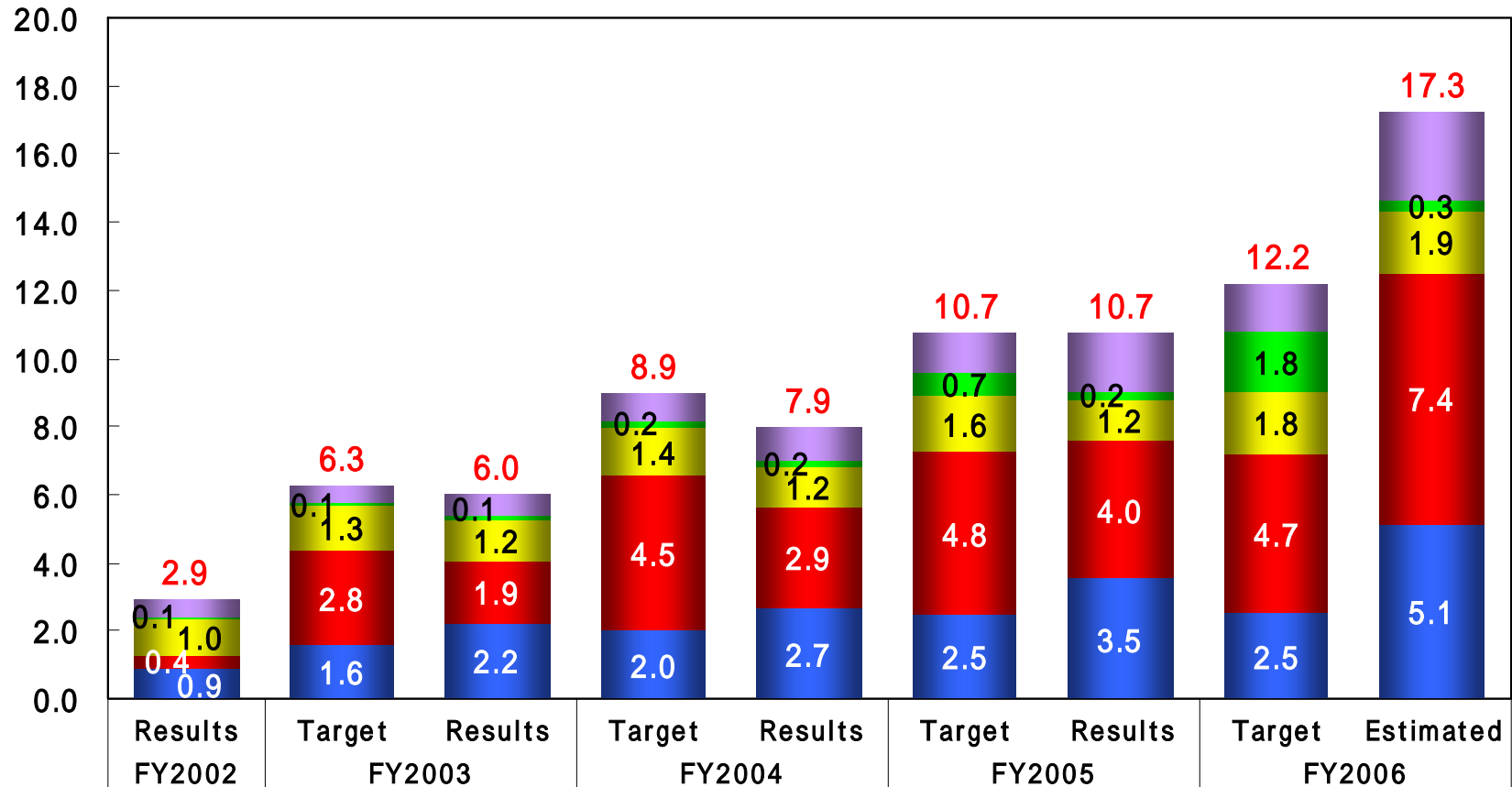
Ordinary Income  
(Billions of yen)



← Sixth Medium-term Management Strategy →

# Progress of Strategically Developed Products

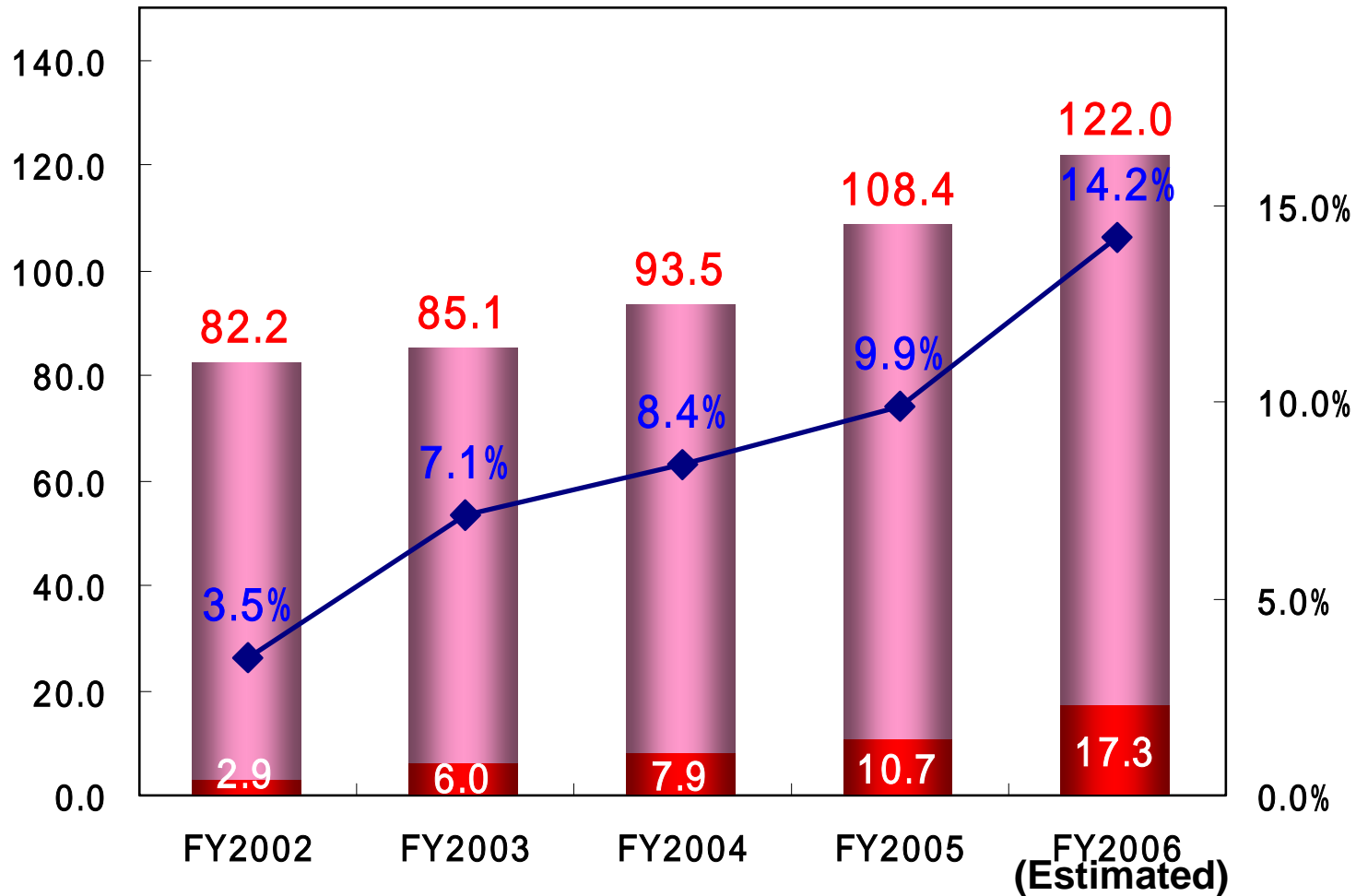
Net Sales (Billions of yen)



# Strategically Developed Products to Net Sales

Net Sales  
(Billions of yen)

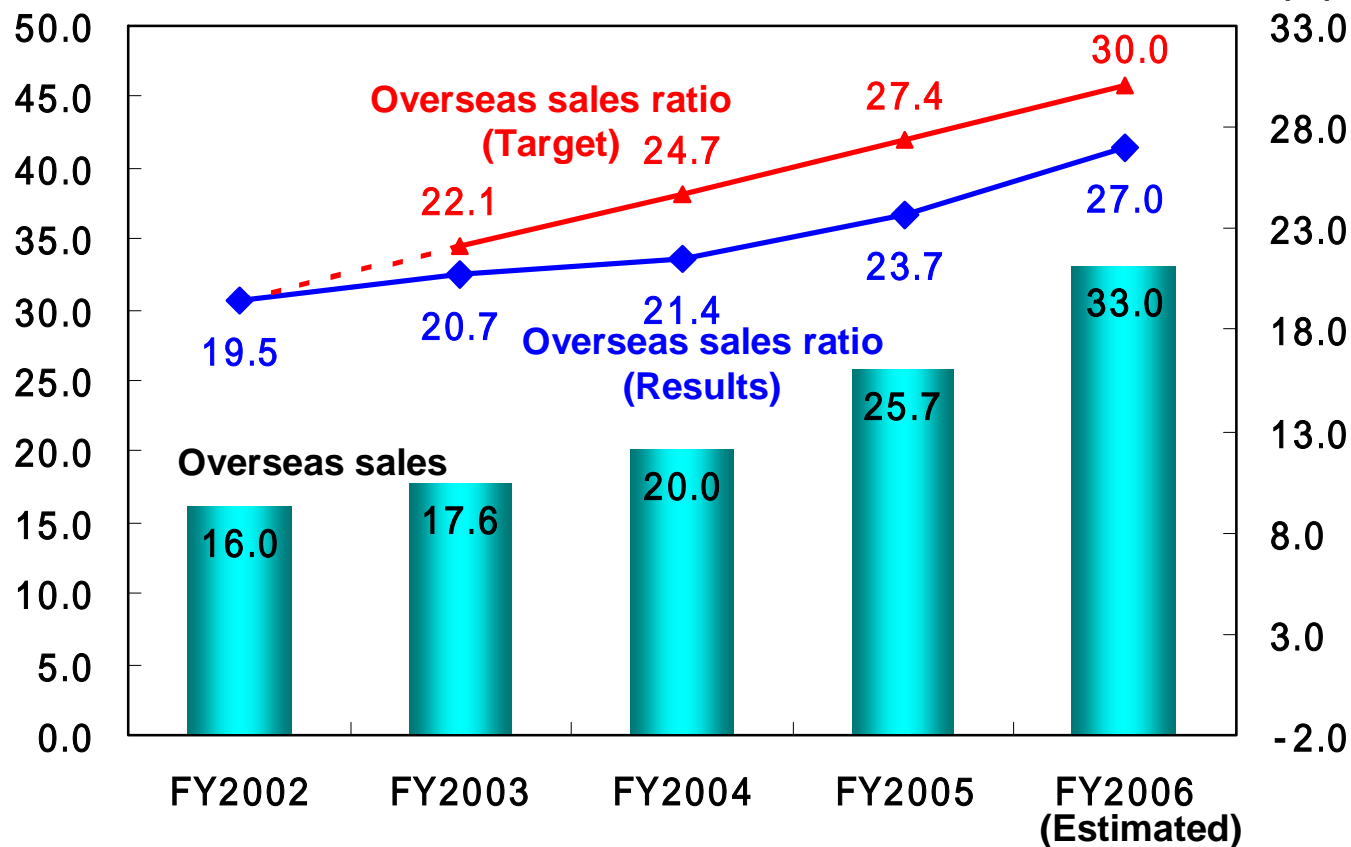
Strategically Developed Products  
sales ratio (%)



# Overseas Sales

Overseas sales  
(Billions of yen)

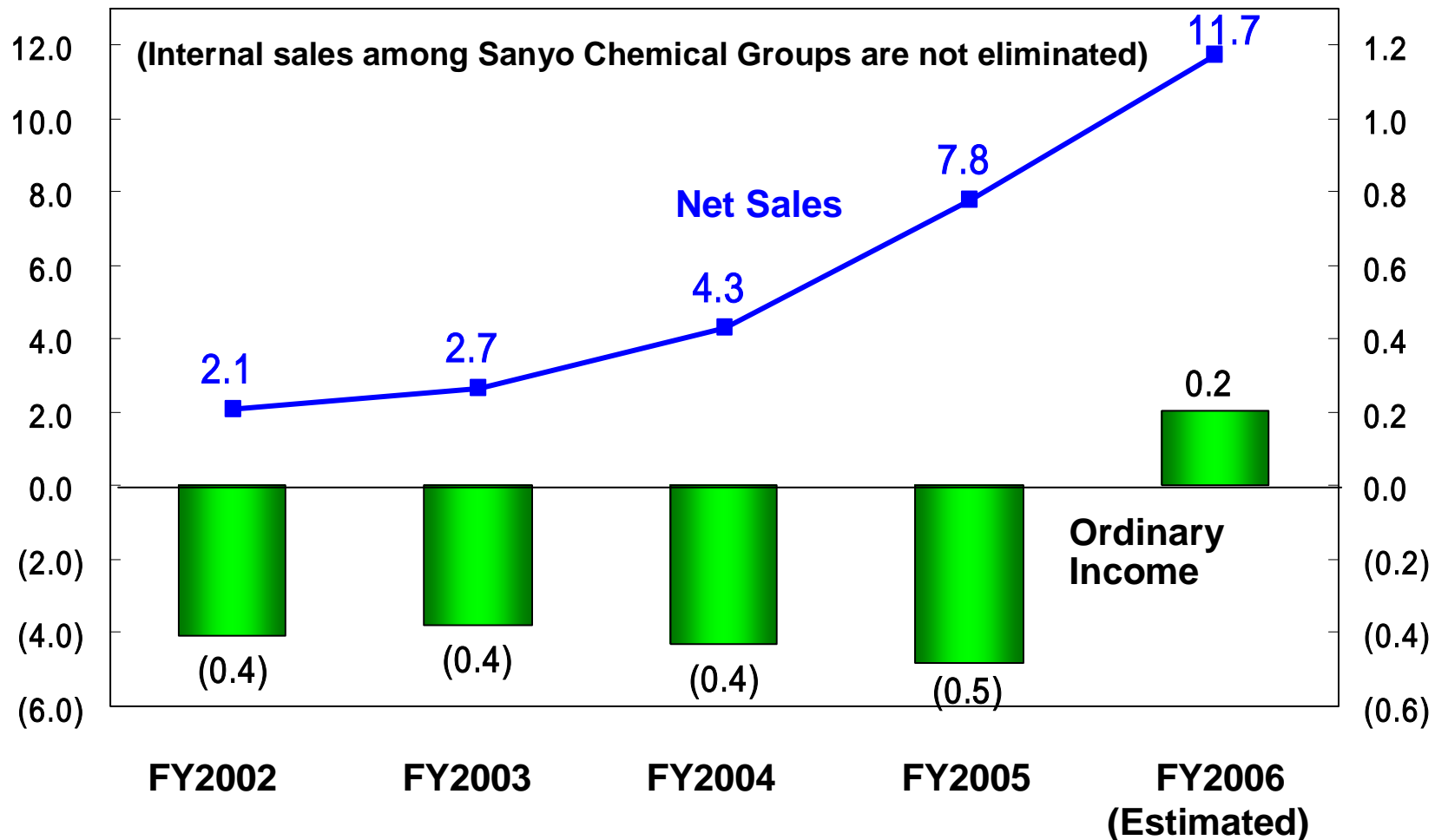
Overseas sales ratio  
(%)



# Overseas Subsidiaries (5 Companies)

Net Sales  
(Billions of yen)

Ordinary Income  
(Billions of yen)



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## **Progress of the Sixth Medium-term Management Strategy (Summary)**

**Our Net Sales target was achieved (accomplishment a year early)**

**We expect more expansion in the future**

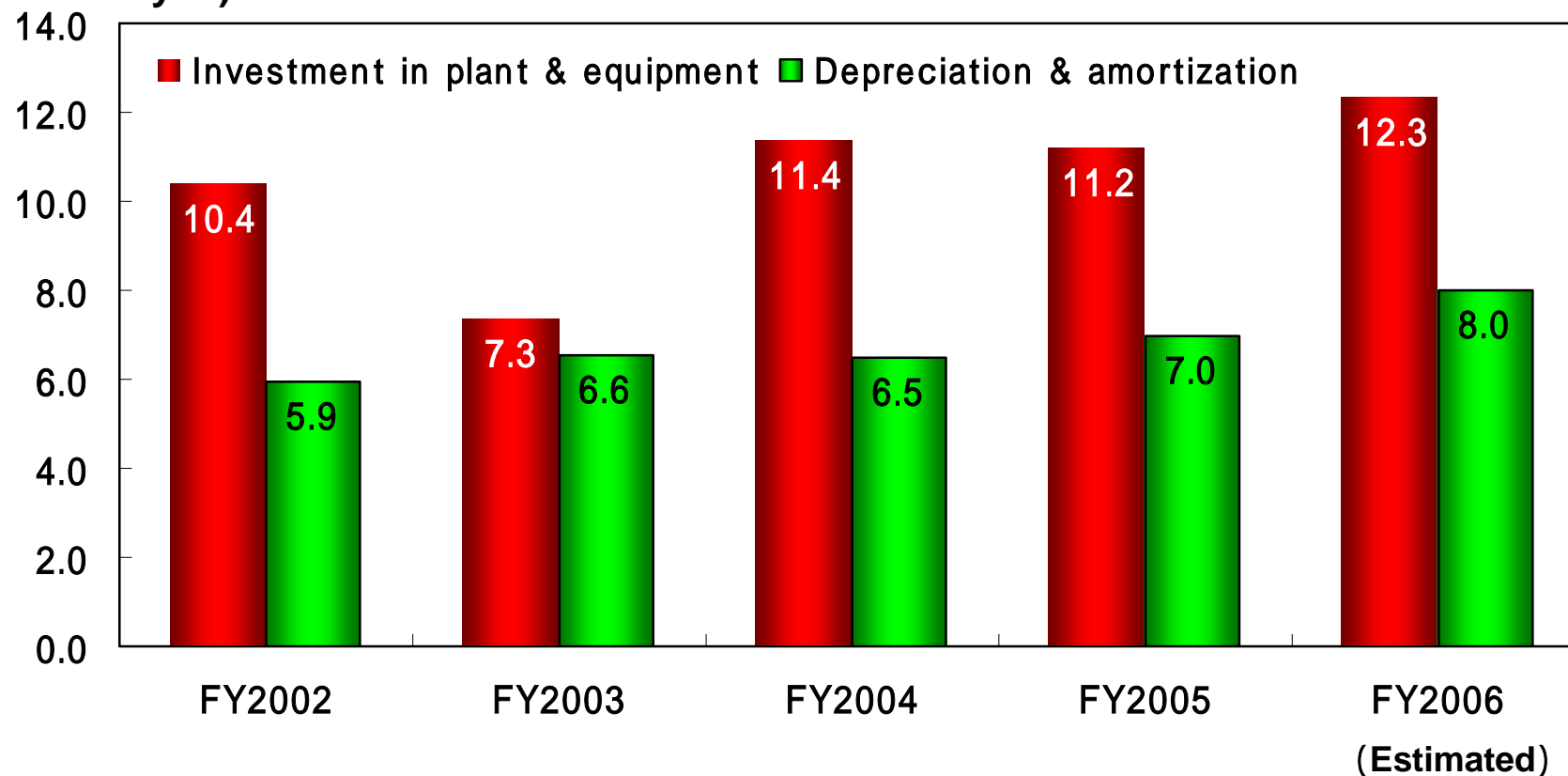
**Our Profit target was not achieved**

### **Factors in this result below the target in terms of profit (FY 2005)**

- **Delay in a revision of product prices due to sharp rise in raw material costs, which caused 2 billion decrease (consolidated) against the target**
- **Slower growth of overseas subsidiaries  
Total ordinary Income of overseas subsidiaries was 1 billion decrease against the target**
- **Net income was 1.1 billion decrease due to the impairment loss of fixed assets**

## Depreciation & Amortization and Investment in Plant & Equipment (Consolidated)

(Billions of yen)



## Investment in Plant & Equipment FY 2006

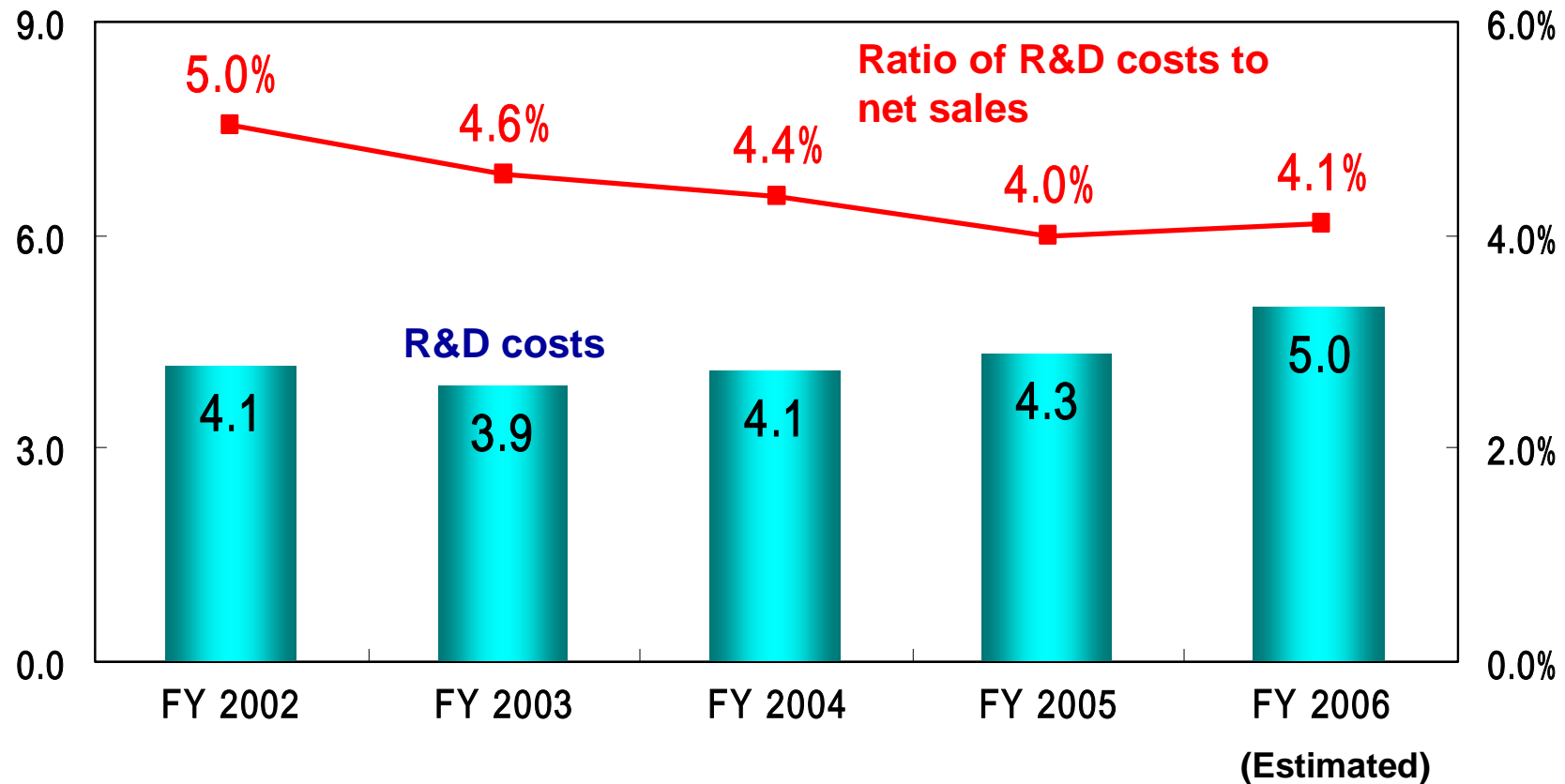
<b>Particular</b>	<b>Place</b>
<b>Alkylene Oxide Adducts Production Facilities</b>	<b>SCC (Kawasaki)</b>
<b>Construction Work of Foundation for Plants</b>	<b>Kinuura Satellite Factory (Nagoya)</b>
<b>Superabsorbent Polymers Production Facilities</b>	<b>SDN (China)</b>
<b>Thermoplastic Polyurethane Beads Production Facilities</b>	<b>SCTI (USA)</b>
<b>Land for New Research Laboratory</b>	<b>Kyoto</b>

: Sanyo Chemical Texas Inc.

## R&D Costs (Consolidated)

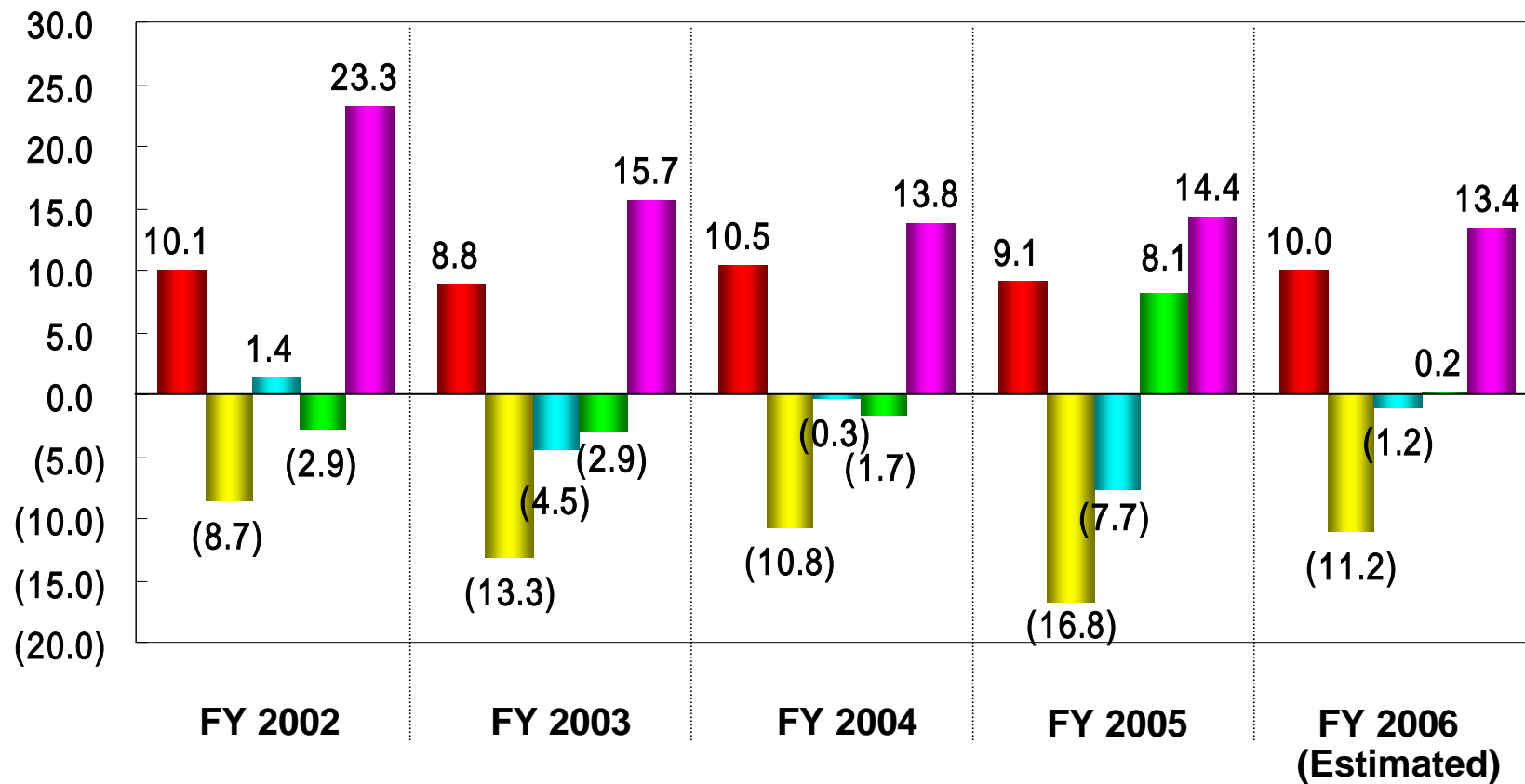
R&D costs  
(Billions of yen)

Ratio of R&D costs  
to net sales



# Cash Flows (Consolidated)

(Billions of yen)



■ Operating Activities

■ Free Cash Flow

■ Cash and Cash Equivalents

■ Investing Activities

■ Financing Activities

## Issue of “Unsecured Convertible Bonds”

### Summary of the CB

**Total Amount Issued :10 billion yen**

**Offer Price :102.5 %**

**Issue Price :100 %**

**Coupon Rate :0.0 %**

**Issue Date :9 March, 2006**

**Maturity Date :31 March, 2011**

**Convertible Price :1,127 yen per share**

**Other :Issue shares after appropriate Treasury Stocks  
(5 million shares) for the converted bonds**

### Purpose of Financing by CB

**\* Promising Capital Investment**

**\* Effective Utilization of  
Treasury Stocks**

**\* Aiming to Management Out of Actual Debt**

**\* Low funding cost**

# Forecast for FY 2006

## Consolidated

(Billions of yen)

	FY 2006 (Estimated)	FY 2005 (Results)	From the Previous Year	
			Increase	The Ratio of Increase
<b>Net Sales</b>	<b>122.0</b>	<b>108.4</b>	<b>13.6</b>	<b>13%</b>
<b>Operating Income</b>	<b>8.2</b>	<b>7.2</b>	<b>1.0</b>	<b>14%</b>
<b>Ordinary Income</b>	<b>9.2</b>	<b>7.9</b>	<b>1.3</b>	<b>16%</b>
<b>Net Income</b>	<b>4.2</b>	<b>3.2</b>	<b>1.0</b>	<b>31%</b>

## Non-consolidated

(Billions of yen)

	FY 2006 (Estimated)	FY 2005 (Results)	From the Previous Year	
			Increase	The Ratio of Increase
<b>Net Sales</b>	<b>90.0</b>	<b>82.1</b>	<b>7.9</b>	<b>10%</b>
<b>Operating Income</b>	<b>4.8</b>	<b>4.0</b>	<b>0.8</b>	<b>20%</b>
<b>Ordinary Income</b>	<b>6.6</b>	<b>5.8</b>	<b>0.8</b>	<b>14%</b>
<b>Net Income</b>	<b>4.5</b>	<b>2.5</b>	<b>2.0</b>	<b>80%</b>