

## *Challenge 10*

# **A Statement of Accounts**

**For the Fiscal Year Ended March 31, 2008  
Fiscal Year 2007  
(FY 2007)**

**President Masaaki Ienaga**



**<http://www.sanyo-chemical.co.jp/>**

**Code:4471**

<Notice>

Yen amounts described in this presentation material are rounded down.  
Ratios described in this presentation material are rounded off .

<Cautionary Statement with Respect to Forward-Looking Statement>

This presentation material contains projections based on the assumptions, forward-looking statements and plans about the future of Sanyo Chemical Industries, Ltd. as of April 30, 2008. Actual performance results may vary significantly due to a variety of factors affecting the sphere of business that include but are not limited to: the world economy, competitive position, and fluctuations in the exchange rate, raw material costs, and others.

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## Corporate Data

**Date of Establishment : November 1, 1949**

**Head Office : Higashiyama-ku, Kyoto**

**Branch Offices : Tokyo, Osaka**

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

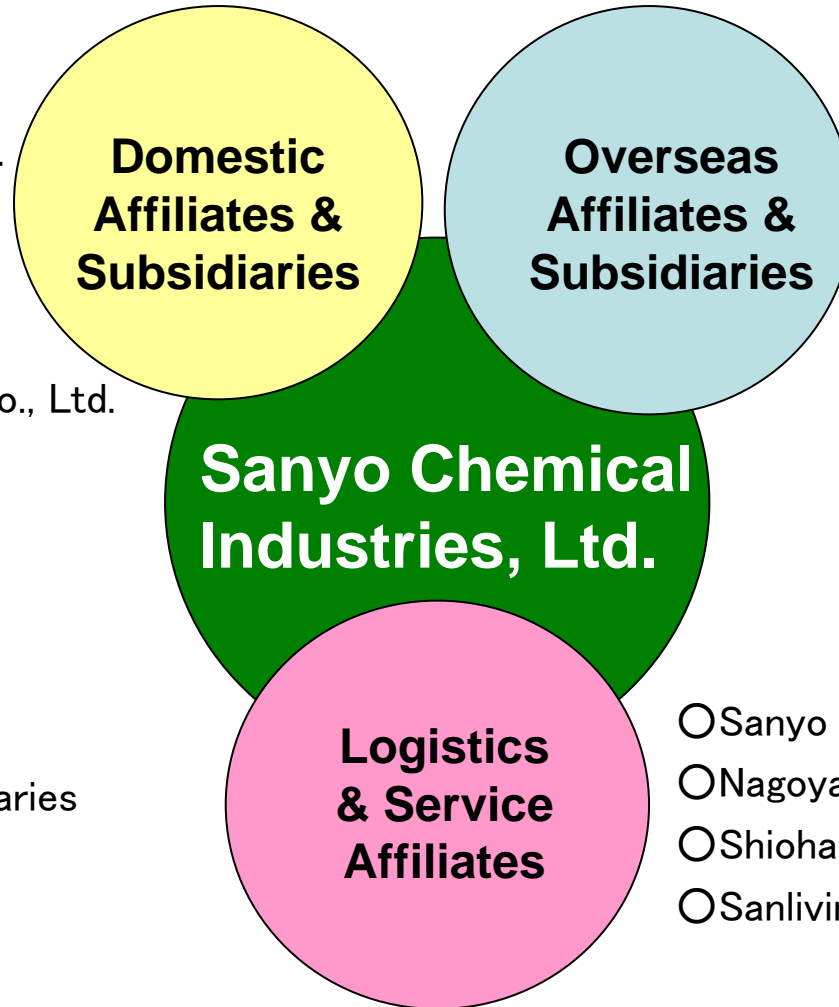
**Number of Consolidated Employees : 1,675**

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

# Principal Products

Product group		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	Thermoplastic polyurethane beads (TUB) for the interior parts of automobiles, Resins for inks
Lipophilic high-molecular agents	Lubricating oil & machine-related products	Base materials for synthetic lubricating oils, Viscosity index improvers, Machinery processing agent
	Coating & adhesive-related products	Potting resins for artificial kidneys, UV and EB curing resins
	Copier-related products	Polyester beads (PEB) as a core component of polymerization toners, 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	Permanent antistatic agents, Pigment dispersants
	Electric/electronic-related products	Electrolyte for capacitors, Agents for silicon wafer manufacturing
	Others	Polymers for enhanced oil recovery, Civil engineering and construction-related products
Others	–	Diagnostic reagents, Synthetic woods

# Sanyo Chemical Group



- Sanyo Kasei (Thailand) Ltd.
- SANAM Corporation
- Sanyo Chemical & Resins, LLC (USA)
- Sanyo Chemical Texas Industries, LLC (USA)
- Sunrise Chemical LLC (USA)
- Sanyo Kasei (Nantong) Co., Ltd. (China)
- San-Dia Polymers (Nantong) Co., Ltd. (China)
- Sanyo Transport Co., Ltd.
- Nagoya Sanyo Warehouse Co., Ltd.
- Shiohama Chemical Warehouse Co., Ltd.
- Sanliving Ltd.

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

- Consolidated Subsidiaries
- Affiliates

# Domestic Consolidated Subsidiaries

Company Name	Abbr.	Equity Ownership	Line of Business
San-Dia Polymers, Ltd.	SDP	Sanyo Chemical 60% Mitsubishi Chemical 40%	Manufacture & sales of superabsorbent polymers
San Nopco, Ltd.	SNL	Sanyo Chemical 100%	Manufacture & sales of specialty chemicals
San Chemical Co., Ltd.	SCC	Sanyo Chemical 50% Nippon Oil Corp. 50%	Manufacture & sales of polyether polyols & polyethylene glycols
San-Apro, Ltd.	SA	Sanyo Chemical 50% Air-Products 50%	Manufacture & sales of curing accelerators for epoxy resins, and catalysts for polyurethane foam

# Overseas Consolidated Subsidiaries

Company Name	Abbr.	Equity Ownership	Line of Business
Sanyo Kasei (Thailand) Ltd.	SKT	Sanyo Chemical Toyota Tsusho Corp. & others	89% 11% Manufacture & sales of surfactants, polyurethane resins
SANAM Corporation	SANAM	Sanyo Chemical	100% Supervising of subsidiaries and affiliate in USA
Sanyo Chemical & Resins, LLC	SCR	SANAM Corp.	100% Manufacture of toner resins, polyurethane resins
Sanyo Chemical Texas Industries, LLC	SCTI	SANAM Corp.	100% Manufacture of polyurethane beads
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	Abbr.	Equity Ownership	Line of Business
San-Petrochemicals Co., Ltd.	SPCC	Sanyo Chemical 50% Nippon Oil Corp. 50%	Manufacture & sales of raw materials for synthetic rubbers
Sunrise Chemical LLC	SRC	SANAM Corp. 50% Nisseki Chemical Texas 50%	Manufacture & sales of raw materials for synthetic rubbers
Sanyo Transport Co., Ltd.	—	Sanyo Chemical 100%	General trucking
Nagoya Sanyo Warehouse Co., Ltd.	—	Sanyo Chemical 100%	Warehousing
Shiohama Chemical Warehouse Co., Ltd.	—	Sanyo Chemical 50% Nippon Oil Corp. 50%	Warehousing
Sanliving Ltd.	SL	Sanyo Chemical 100%	Real estate, insurance, and travel agency

# Results of Operations (Consolidated)

Yen amounts are rounded down. Ratios are rounded off .

Billions of Yen

	FY2007	FY2006	Year on year change	
			Amount	Ratio
Net sales	135.2	122.3	12.8	10%
Operating income	5.2	6.5	(1.2)	(19%)
Ordinary income	5.8	8.0	(2.1)	(27%)
Net income	1.4	3.0	(1.6)	(53%)
Net income per share (Yen)	13.11	27.65	(14.54)	(53%)

Analysis of changed operating income from the previous fiscal year		Change amount (Billions of Yen)	
Increase in volume		2.3	
Itemized buying & selling	Raised raw material costs	(6.2)	(4.1)
	Revised product prices	2.1	
Cost reduction, etc.		1.6	
Fixed costs		(1.0)	
Changed operating income		(1.2)	
Exchange gain and loss		(0.5)	
Other income (expenses)		(0.4)	
Changed ordinary income		(2.1)	

# Analysis of Changed Net Income (Consolidated)

Analysis of changed net income from the previous fiscal year	Billions of Yen		
	FY2007	FY2006	Year on year change
Ordinary income	5.8	8.0	(2.1)
Impairment loss of fixed assets	(0.2)	(0.6)	0.4
Loss on investments in securities	(0.7)	0.0	(0.7)
Loss on valuation of inventories	—	(0.5)	0.5
Loss on disposal of fixed assets etc.	(0.5)	(0.4)	(0.1)
Reduction in the deferred tax assets	(0.7)	—	(0.7)
Income tax etc.	(2.3)	(3.4)	1.1
Net income	1.4	3.0	(1.6)

# Results of Operations (Non-Consolidated)

Billions of Yen

	FY2007	FY2006	Year on year change	
			Amount	Ratio
Net sales	100.3	92.5	7.8	8%
Operating income	3.4	3.4	0.0	(1%)
Ordinary income	5.3	5.7	(0.4)	(8%)
Net income	1.9	2.1	(0.2)	(9%)
Net income per share (Yen)	17.53	19.35	(1.82)	(9%)

Analysis of changed operating income from the previous fiscal year		Change amount (Billions of Yen)	
Increase in volume		1.1	
Itemized buying & selling	Raised raw material costs	(5.0)	(2.0)
	Revised product prices	3.0	
Cost reduction, etc.		1.4	
Fixed costs		(0.5)	
Changed operating income		0.0	
Exchange gain and loss		(0.5)	
Other income (expenses)		0.1	
Changed ordinary income		(0.4)	

# Results of Operations (10 Consolidated Subsidiaries)

Internal sales among Sanyo Chemical Groups are not eliminated

Billions of Yen

	FY2007	FY2006	Year on year change	
			Amount	Ratio
Net sales	61.8	53.6	8.2	15%
Operating income	1.6	2.8	(1.2)	(43%)
Ordinary income	1.9	3.3	(1.4)	(43%)
Net income	0.6	1.2	(0.5)	(48%)

# Results of Operations ( SDP & SDN )

Internal sales among Sanyo Chemical Groups are not eliminated

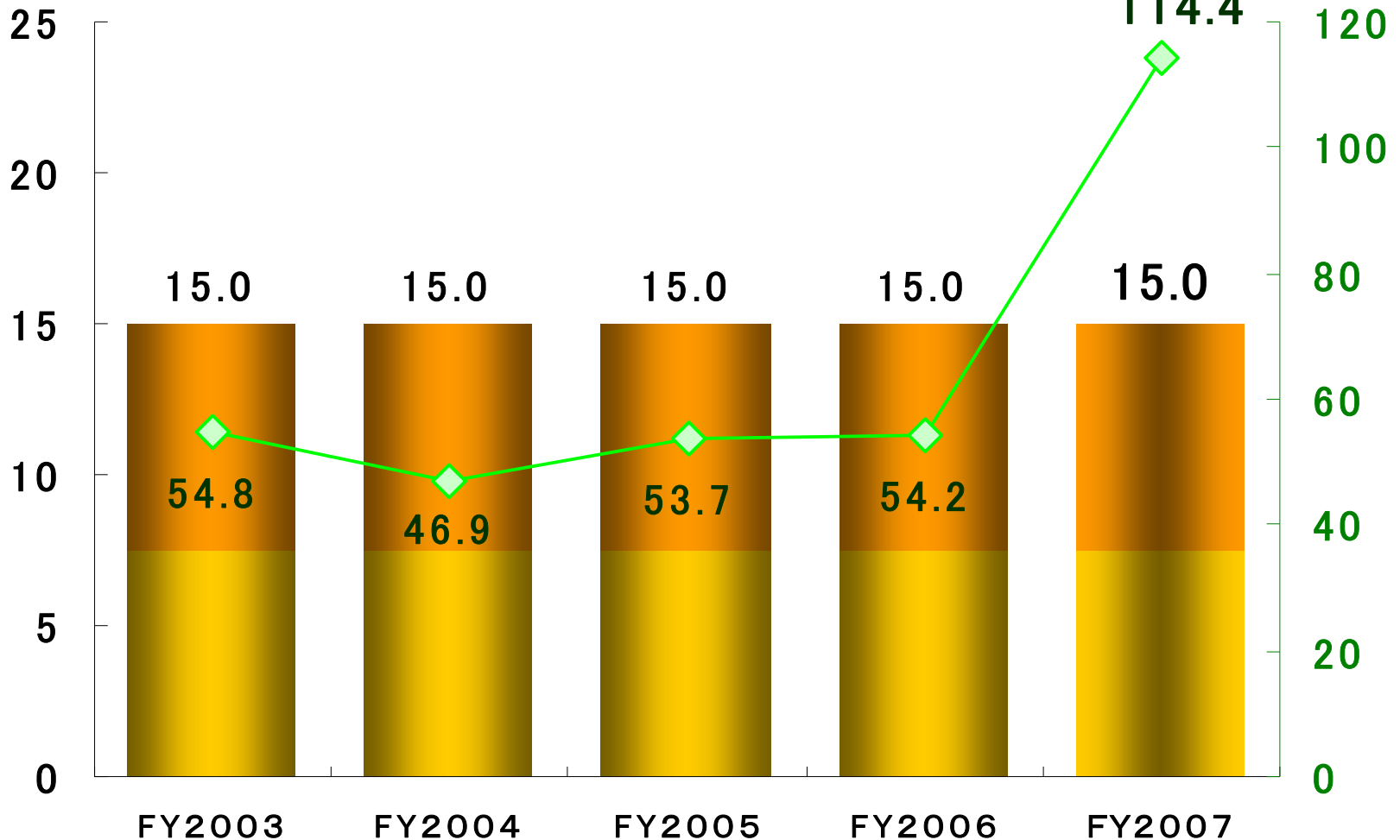
Billions of Yen

	FY2007	FY2006	Year on year change	
			Amount	Ratio
Net sales	26.9	22.5	4.4	20%
Operating income	0.7	1.9	(1.2)	(62%)
Ordinary income	0.8	2.0	(1.1)	(58%)
Net income	0.3	1.3	(0.9)	(75%)

# Dividends Per Share & Payout Ratio (Consolidated)

Dividends per share  
(Yen)

Payout ratio  
(%)



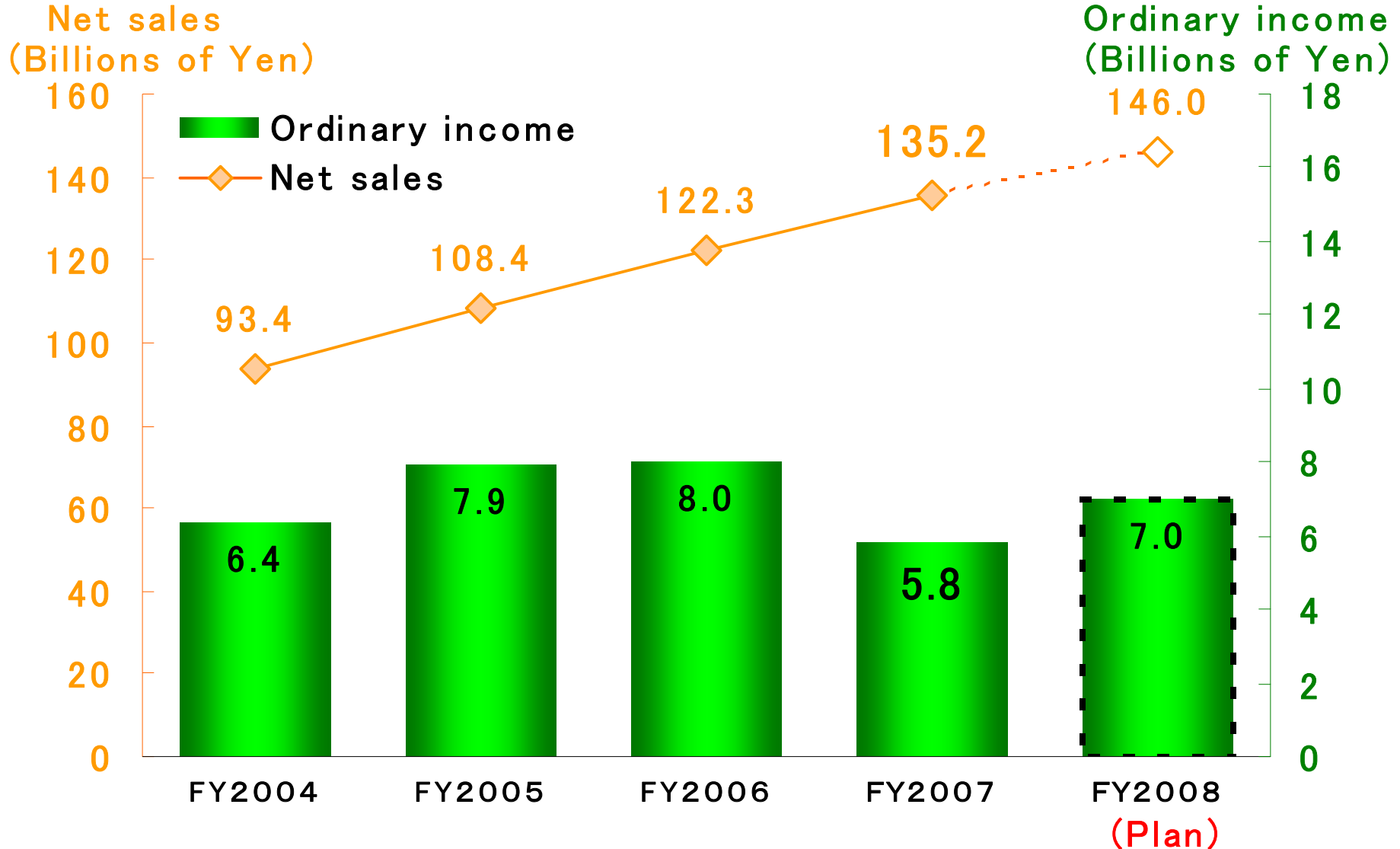
# Forecast for FY 2008

Billions of Yen

<b>Consolidated</b>	FY2008	FY2007	Year on year change	
			Amount	Ratio
Net sales	146.0	135.2	10.7	8%
Operating income	6.0	5.2	0.7	13%
Ordinary income	7.0	5.8	1.1	20%
Net income	4.1	1.4	2.6	183%
Net income per share (Yen)	37.15	13.11	24.04	183%

<b>Non-Consolidated</b>	FY2008	FY2007	Year on year change	
			Amount	Ratio
Net sales	105.0	100.3	4.6	5%
Operating income	4.3	3.4	0.8	26%
Ordinary income	6.0	5.3	0.6	13%
Net income	4.0	1.9	2.0	107%
Net income per share (Yen)	36.25	17.53	18.72	107%

# Business Result Trend (Consolidated)



# Net Sales by Product Group (Consolidated)

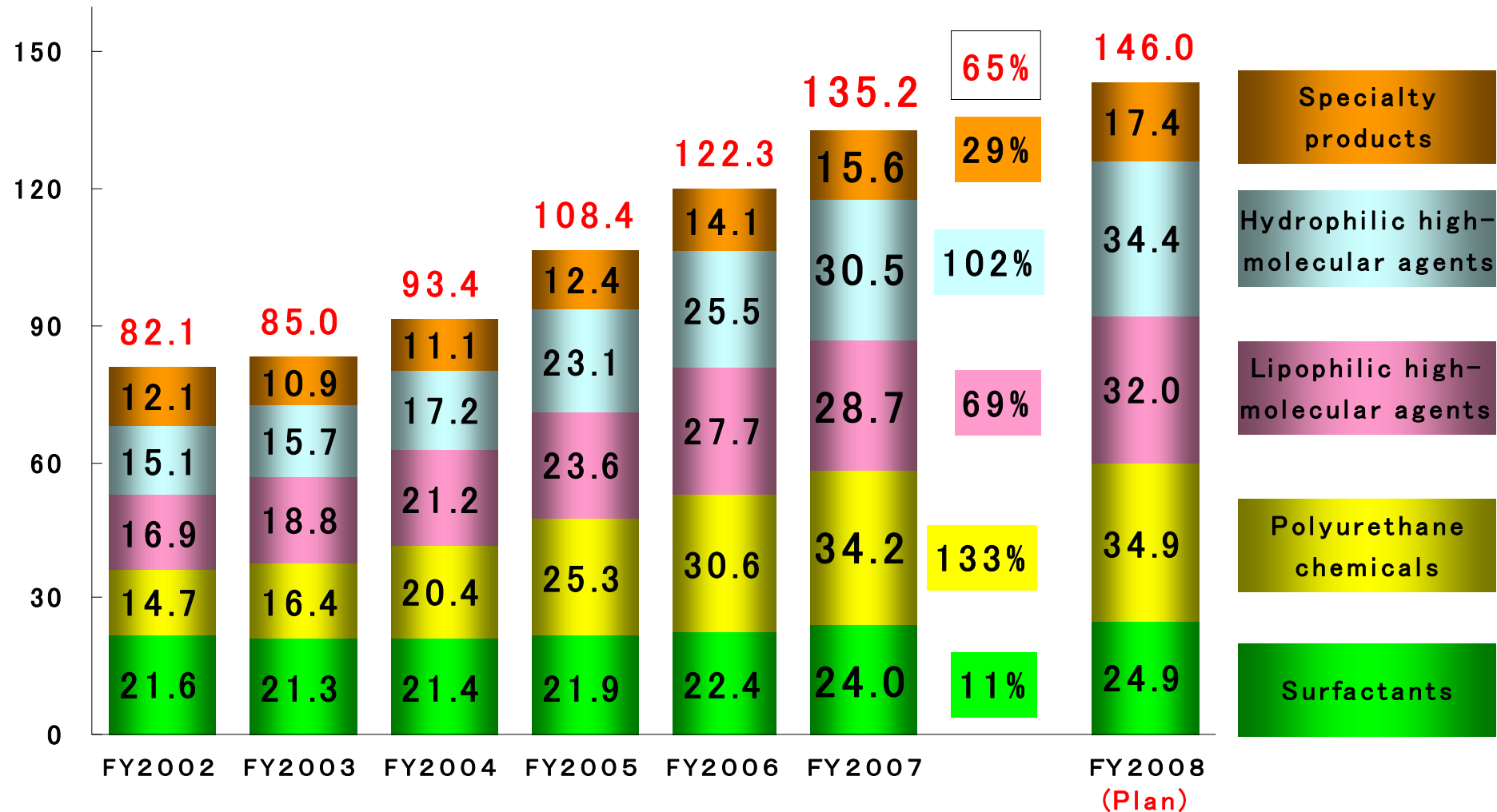
Billions of Yen

Product group	FY2007	FY2006	Change	FY2008 Plan	Change
<b>Surfactants</b>	<b>24.0</b>	<b>22.4</b>	<b>7%</b>	<b>24.9</b>	<b>4%</b>
Industrial surfactants	19.8	18.3	8%	20.4	3%
Surfactant for textile	4.1	4.1	2%	4.5	9%
<b>Polyurethane chemicals</b>	<b>34.2</b>	<b>30.6</b>	<b>12%</b>	<b>34.9</b>	<b>2%</b>
Raw materials for polyurethane foam	23.4	21.6	8%	24.1	3%
Polyurethane resins	10.8	9.0	20%	10.8	0%
<b>Lipophilic high-molecular agents</b>	<b>28.7</b>	<b>27.7</b>	<b>4%</b>	<b>32.0</b>	<b>12%</b>
Copier-related products	13.9	14.2	(2%)	15.7	12%
Lubricating oil & machine-related products	10.6	9.4	13%	11.0	4%
Coating & adhesive-related products	4.1	4.0	1%	5.2	29%
<b>Hydrophilic high-molecular agents</b>	<b>30.5</b>	<b>25.5</b>	<b>19%</b>	<b>34.4</b>	<b>13%</b>
Superabsorbent polymers	27.2	22.9	19%	31.1	14%
Water treatment products	3.3	2.6	24%	3.2	(0%)
<b>Specialty products</b>	<b>15.6</b>	<b>14.1</b>	<b>11%</b>	<b>17.4</b>	<b>12%</b>
Resin & polymer modifiers	6.3	5.5	13%	6.5	4%
Electric/electronic-related products	5.2	4.7	12%	6.5	25%
Others	4.0	3.8	6%	4.3	7%
<b>Others</b>	<b>1.9</b>	<b>1.7</b>	<b>7%</b>	<b>2.0</b>	<b>6%</b>
<b>Total</b>	<b>135.2</b>	<b>122.3</b>	<b>10%</b>	<b>146.0</b>	<b>8%</b>

# Net Sales Trend by Product Group (Consolidated)

(Billions of Yen)

Increase ratio of FY2007 compared to FY2002



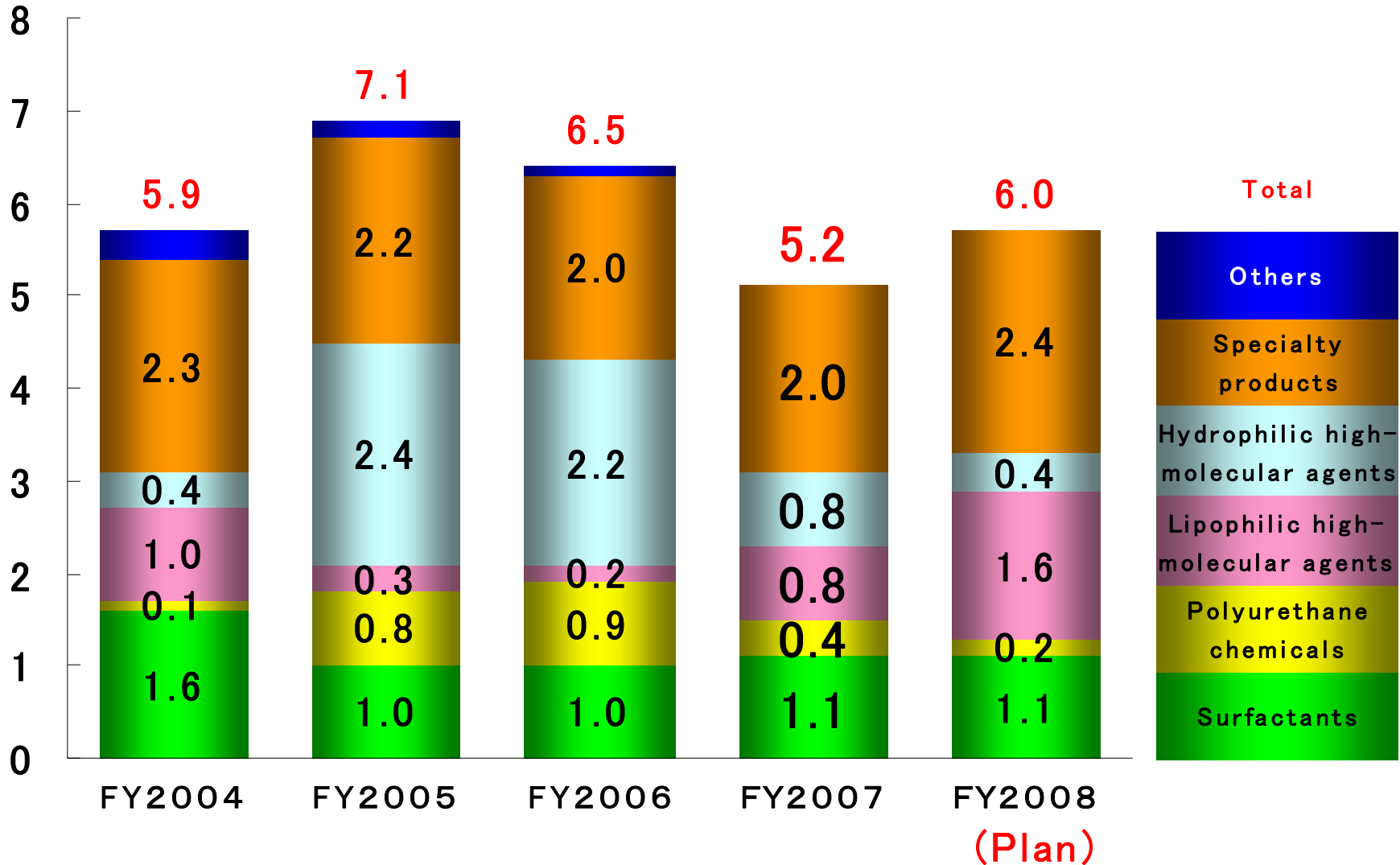
# Operating Income by Product Group (Consolidate)

Billions of Yen

Product group	FY2007	FY2006	Year on year change	FY2008 Plan	Year on year change
Surfactants	1.1	1.0	14%	1.1	(2%)
Polyurethane chemicals	0.4	0.9	(54%)	0.2	(39%)
Lipophilic high-molecular agents	0.8	0.2	301%	1.6	95%
Hydrophilic high-molecular agents	0.8	2.2	(64%)	0.4	(46%)
Specialty products	2.0	2.0	(2%)	2.4	21%
Others	0.0	0.1	(54%)	0.0	94%
<b>Total</b>	<b>5.2</b>	<b>6.5</b>	<b>(19%)</b>	<b>6.0</b>	<b>13%</b>

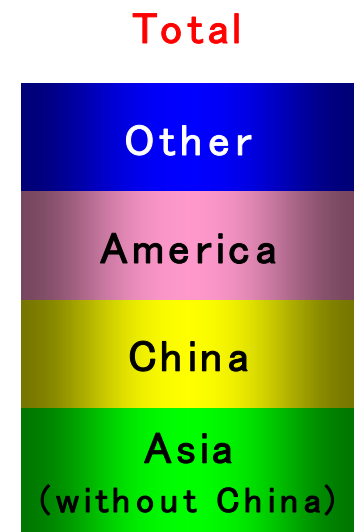
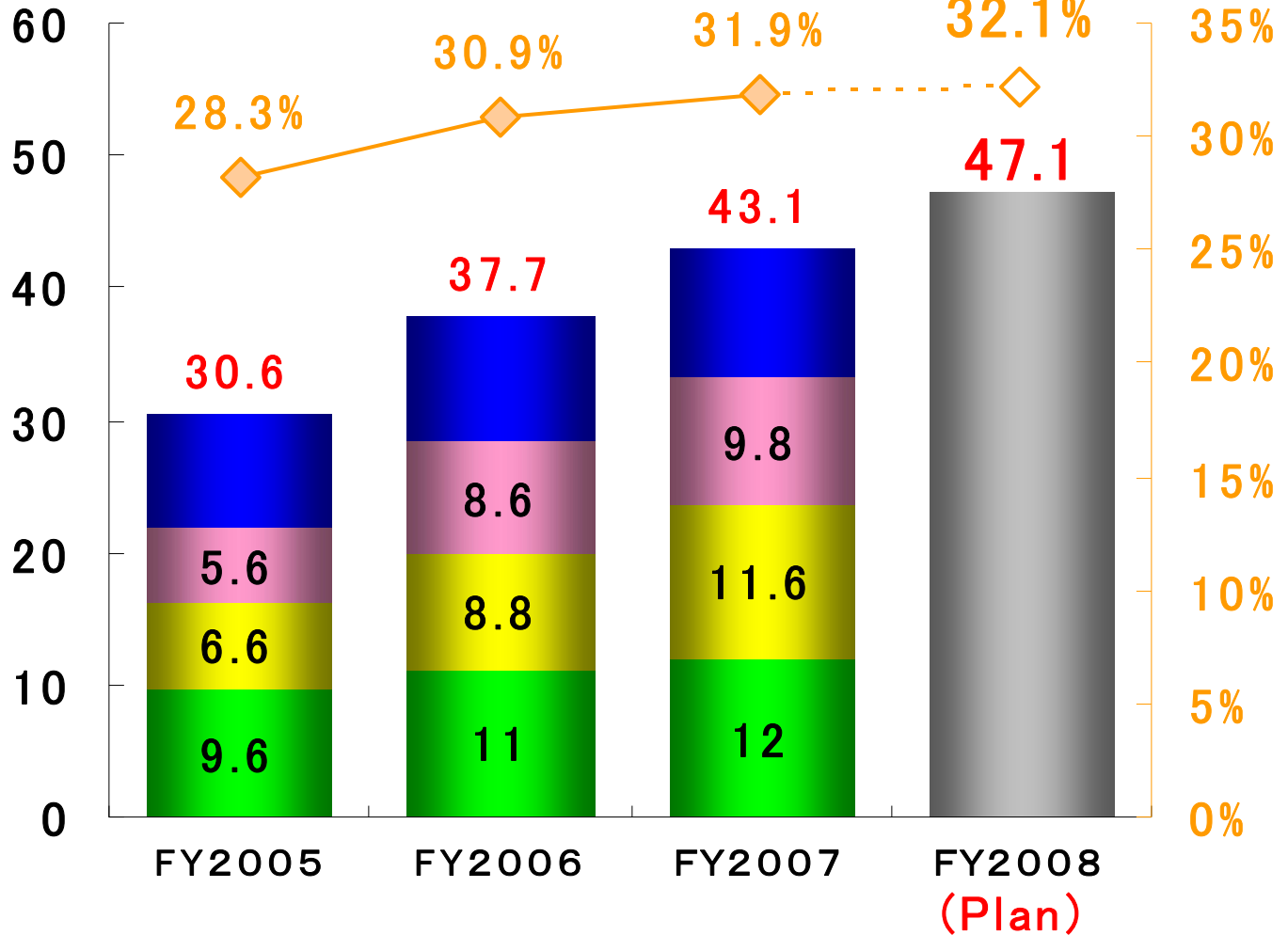
# Operating Income Trend by Product Group (Consolidated)

(Billions of Yen)



# Overseas Sales Trend

Net sales  
(Billions of Yen)

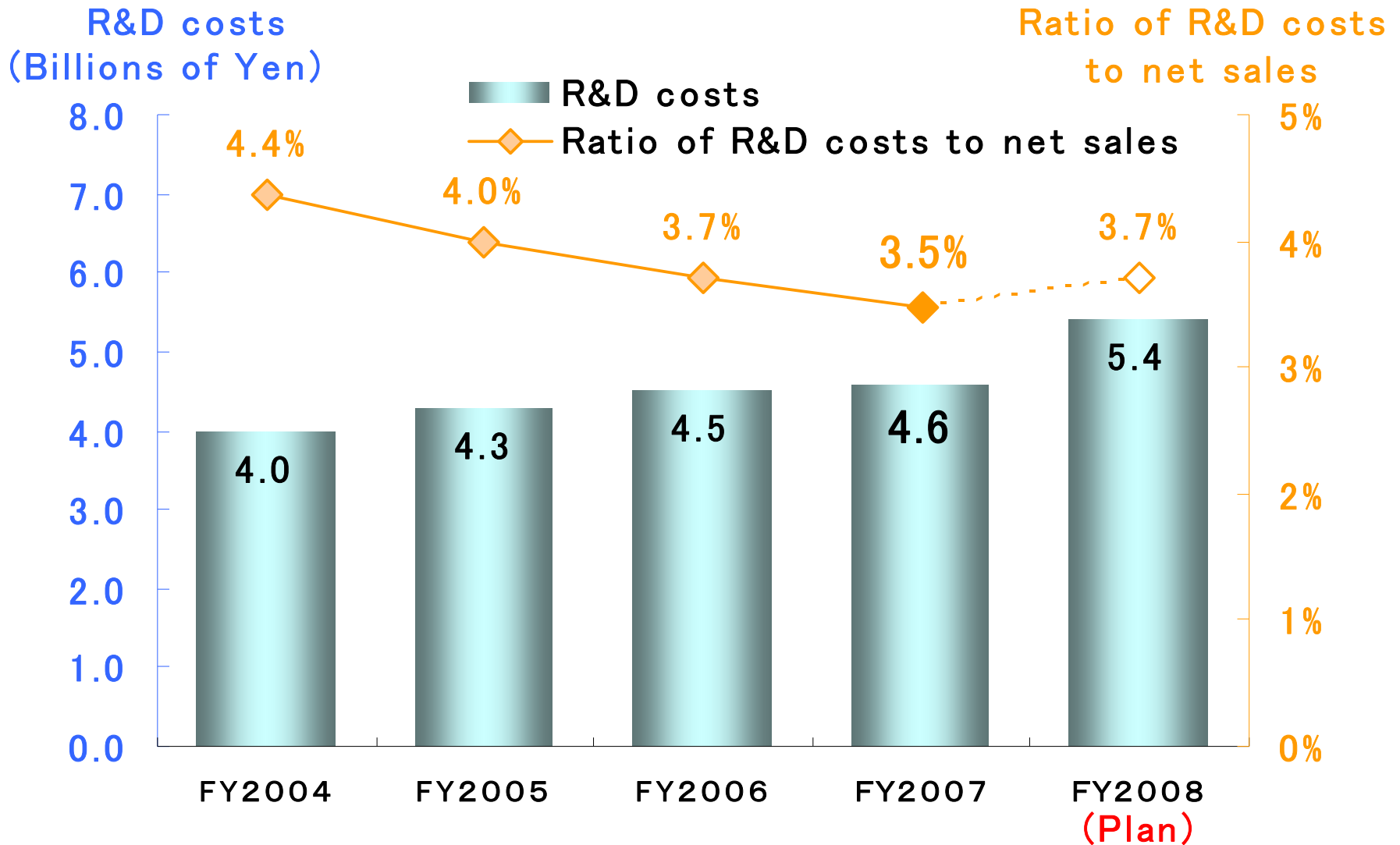


# Geographic Segments Information

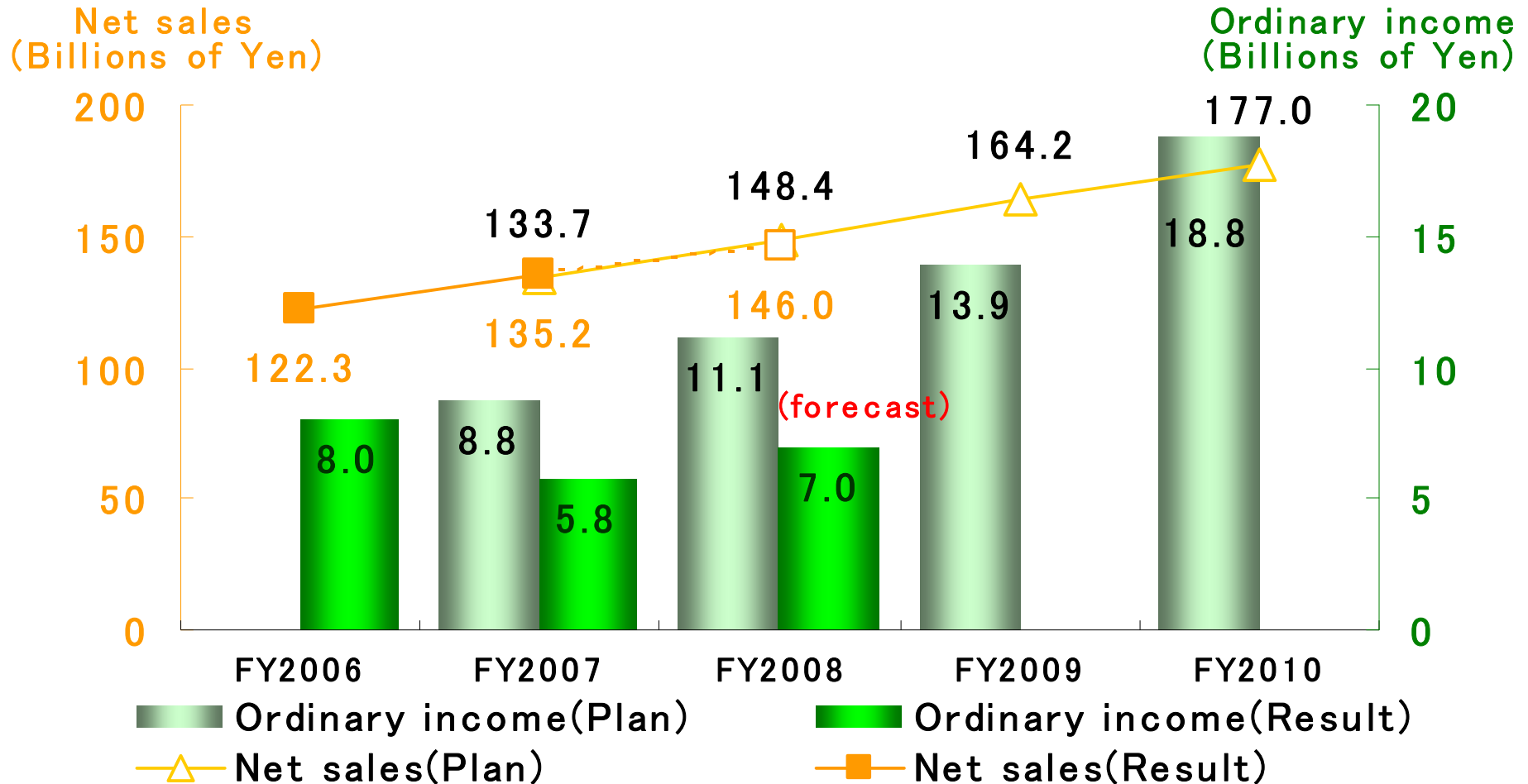
Billions of Yen

	Japan	America	China	Other	Total	Consolidated
Net sales	125.6	5.3	7.3	1.5	139.8	135.2
Operating income	5.6	(0.3)	0.1	(0.1)	5.2	5.2
Assets	141.9	8.8	10.2	2.3	163.4	148.7

# R&D Costs

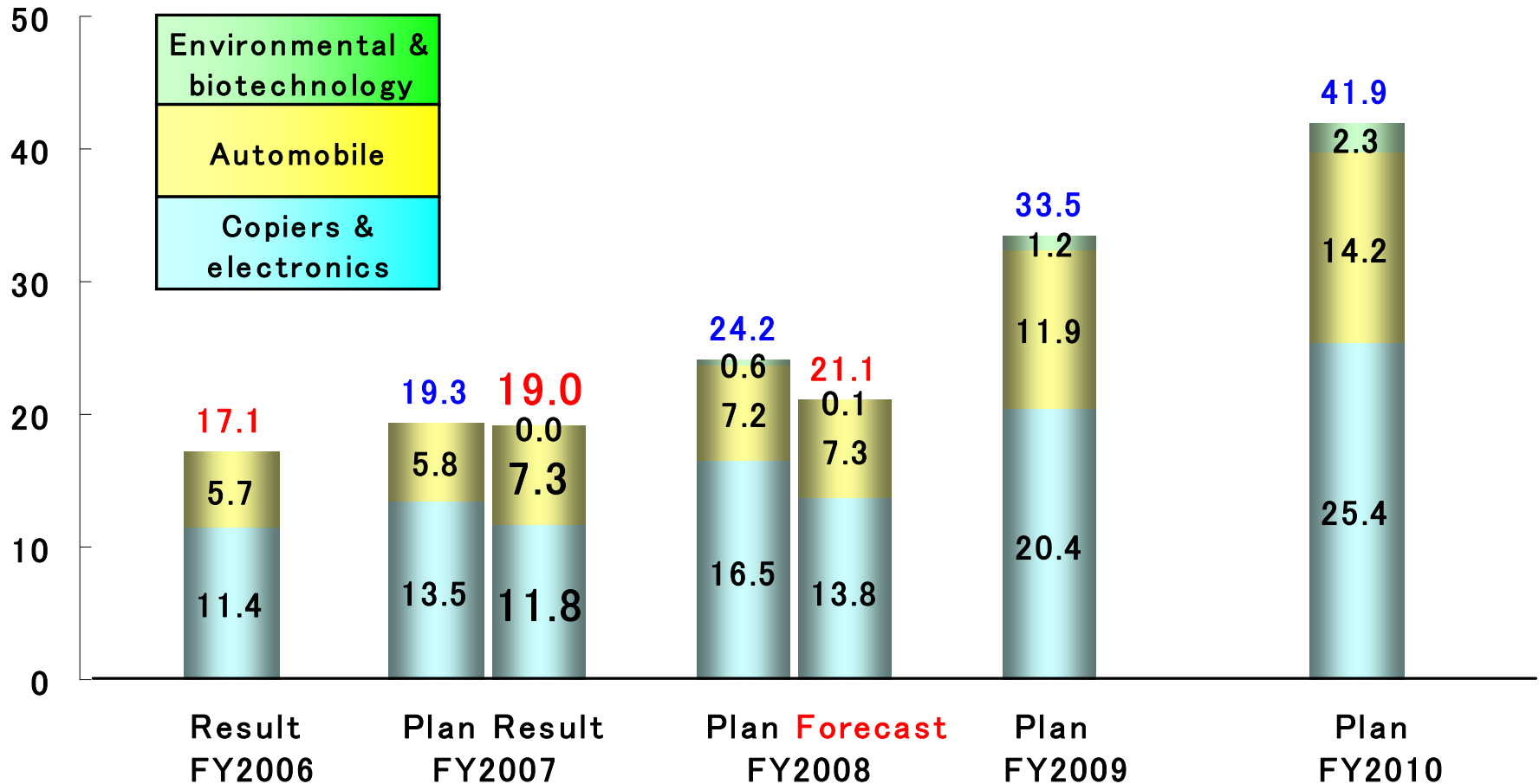


# Progress of the 7th Medium-Term Management Plan (Net Sales & Ordinary Income)



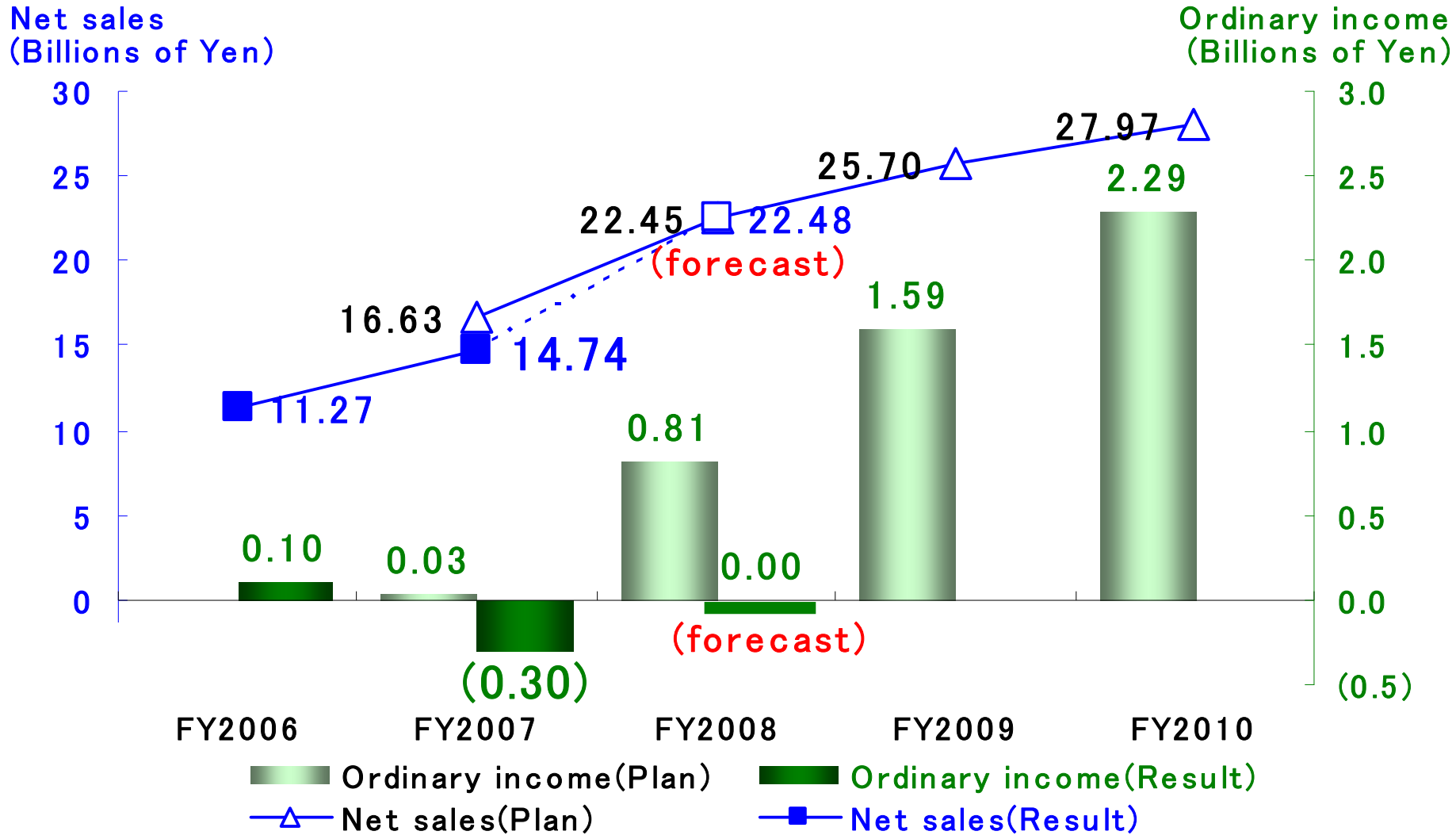
# Progress of the 7th Medium-Term Management Plan ( Strategic Products in Focus Fields )

Net sales  
(Billions of Yen)



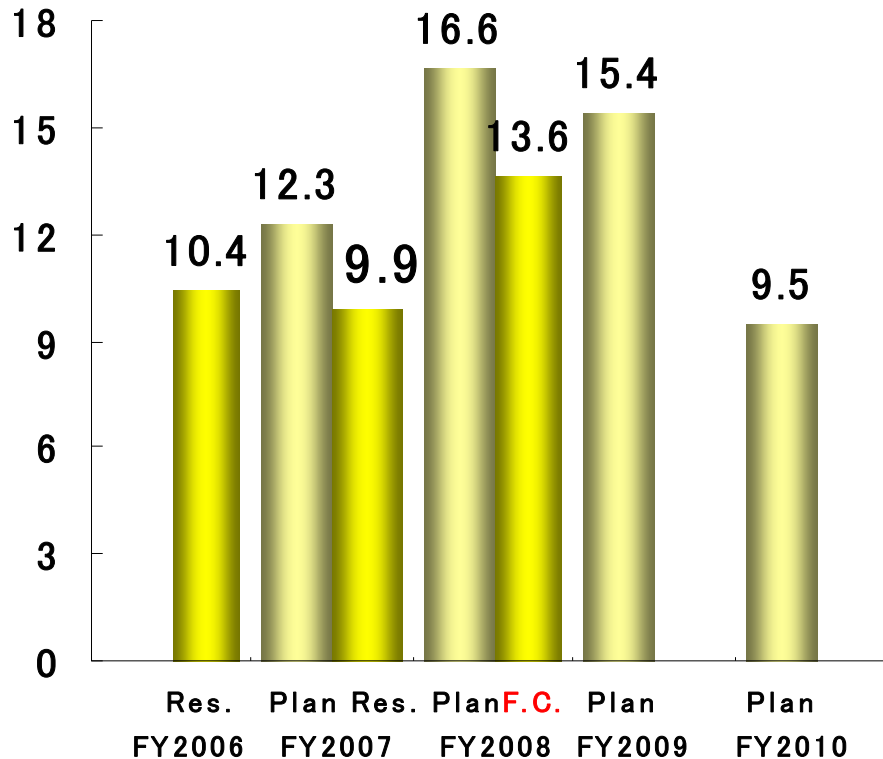
# Progress of the 7th Medium-Term Management Plan ( 6 Overseas Consolidated Subsidiaries )

Internal sales among Sanyo Chemical Groups are not eliminated

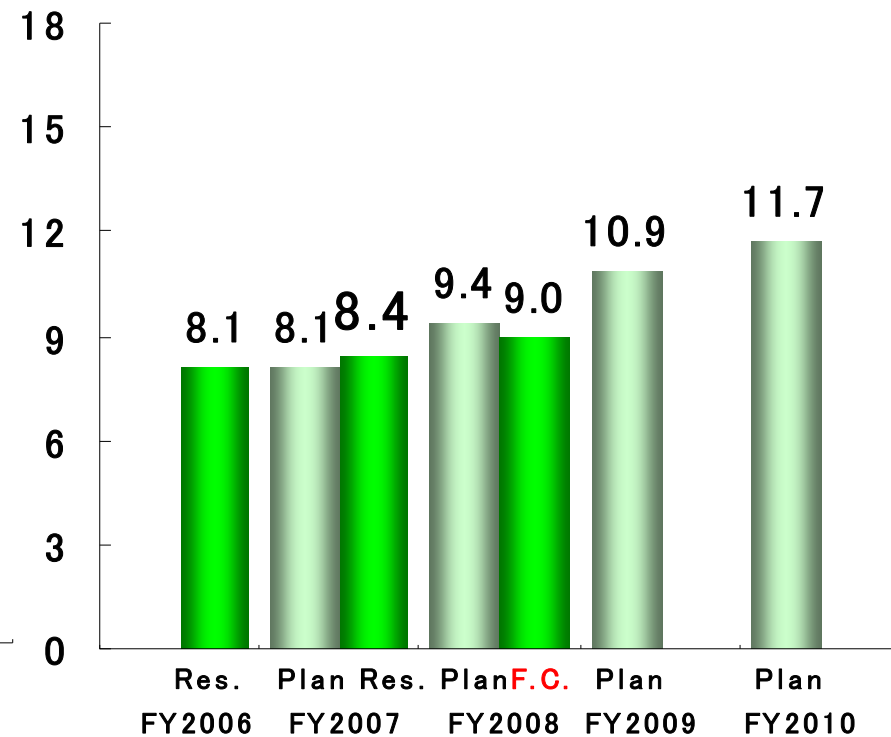


# Capital Investment and Depreciation & Amortization

Capital investment  
(Billions of Yen)



Depreciation & amortization  
(Billions of Yen)



# Main Investments in Plant & Equipment

Billions of Yen

Fiscal year	Place	Item	Action	Amount	
FY 2007	Kashima	Facilities for special organic synthesis	Expansion	0.6	
	Kinuura	Facilities for AOA	Construction	0.8	
	Katsura	New research laboratory	Construction	0.9	
	SDN	Facilities for SAP	Expansion	0.9	
	others				6.7
	total				9.9
FY 2008	Kinuura	Facilities for AOA	Construction	2.7	
	Kashima	Facilities for permanent antistatic agents	Expansion	0.6	
	Katsura	New research laboratory	Construction	0.7	
	arranged	New distribution base	Construction	0.9	
	SDP	Facilities for SAP	Upgrading	0.3	
	others				8.4
	total				13.6

# Topics

## Construction of Katsura Research Laboratory

### Construction Schedule

July, 2007 : Started construction

June, 2008 : Completion

August, 2008 : Beginning operation



Katsura Research Laboratory under construction

## Establishment of Sanyo Kasei Korea,

To expand our business operation in the Korean market, which continues to grow, we established Sanyo Kasei Korea in April, 2008.

End