

A Statement of Accounts

**For the Fiscal Year Ended March 31, 2011
Fiscal Year 2010
(FY 2010)**

SANYO CHEMICAL INDUSTRIES, LTD.

Masaaki Ienaga, President

<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 May 10, 2011. 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.

Please Contact

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Effect of the Great East Japan Earthquake

Kashima Factory (Kamisu, Ibaraki)

<Damage to the Kashima Factory>

- No personal injury
- Partial damage to production facilities overall
- Utilities such as electricity, etc. stopped



Established a Business Continuity Task Force and pursue restoration activities, etc. in accordance with the BCP (Business Continuity Plan) manual

At the beginning of April, full-scale production resumed; the Factory also operated at full capacity over the May holiday period

<Damage due to disaster recorded as an extraordinary loss>

- (i) Damaged facility repair and inspection costs: ¥110 million
- (ii) Loss on valuation of damaged inventories: ¥120 million
- (iii) Fixed manufacturing costs during the period the Kashima Factory was closed: ¥130 million

Total loss recorded: ¥370 million

<Major production items>

- Polyester beads (PEB) used as a core component of polymerization toners
- Toner resins
- Lubricating oil additives
- Permanent antistatic agents

Corporate Data

Date of Establishment: November 1, 1949

Head Office: Higashiyama-ku, Kyoto

Capital: ¥13,051 million

Major Shareholders as of March 31, 2011:

Toyota Tsusho Corporation (19.4%)

Toray Industries, Inc. (17.3%)

Nippon Shokubai Co., Ltd. (5.0%)

JX Holdings, Inc. (4.8%)

Domestic Sales & Marketing Offices:

Tokyo, Osaka, Nagoya, Hiroshima, Fukuoka, Toyama

Domestic Factories:

Nagoya, Kinuura, Kashima, Kyoto, Kawasaki (San Chemical)

Consolidated Number of Employees:

1,766 as of March 31, 2011

Line of Business:

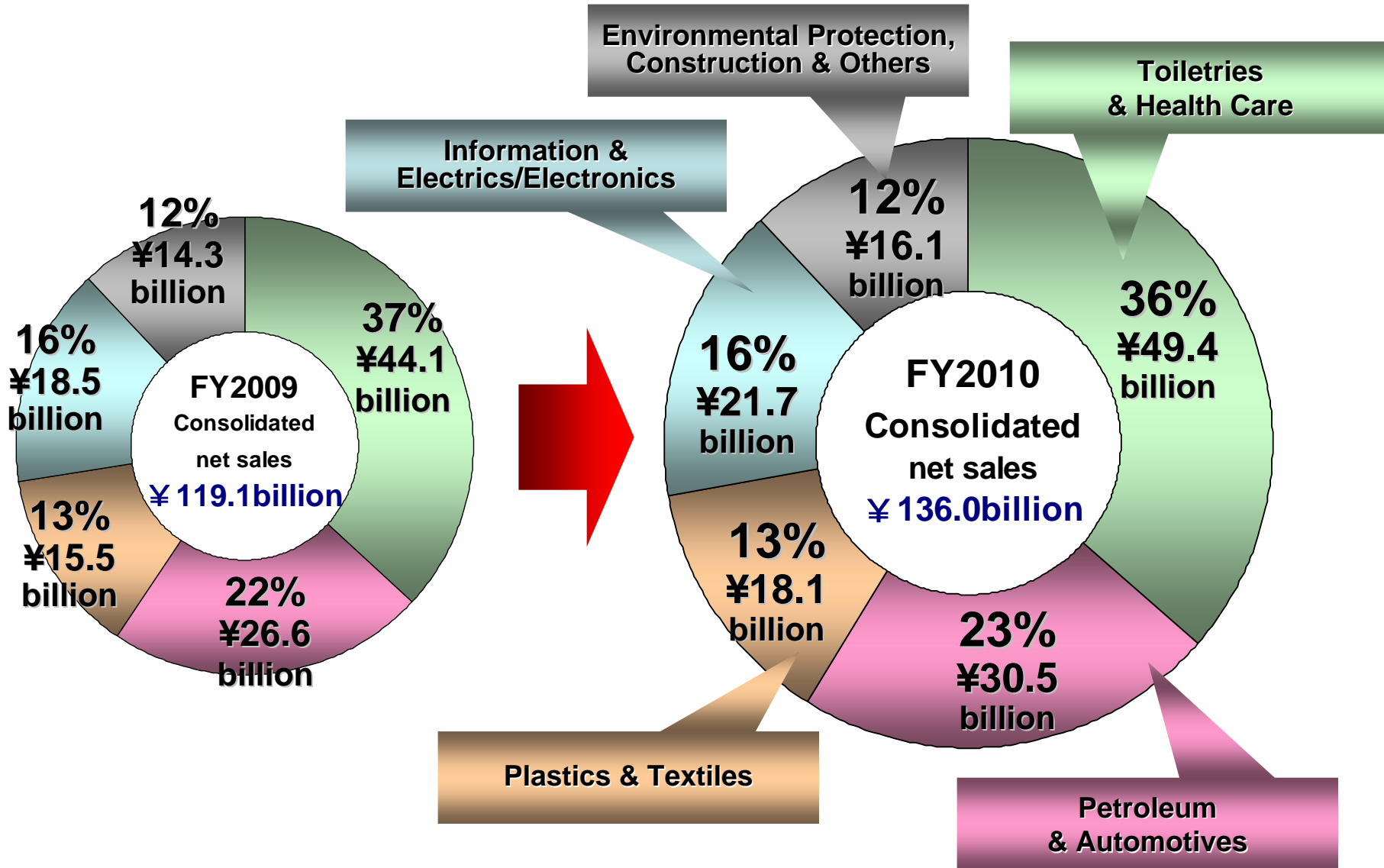
Manufacture & sales of approx. 3,000 types of performance chemicals

Principal Products by Product Group

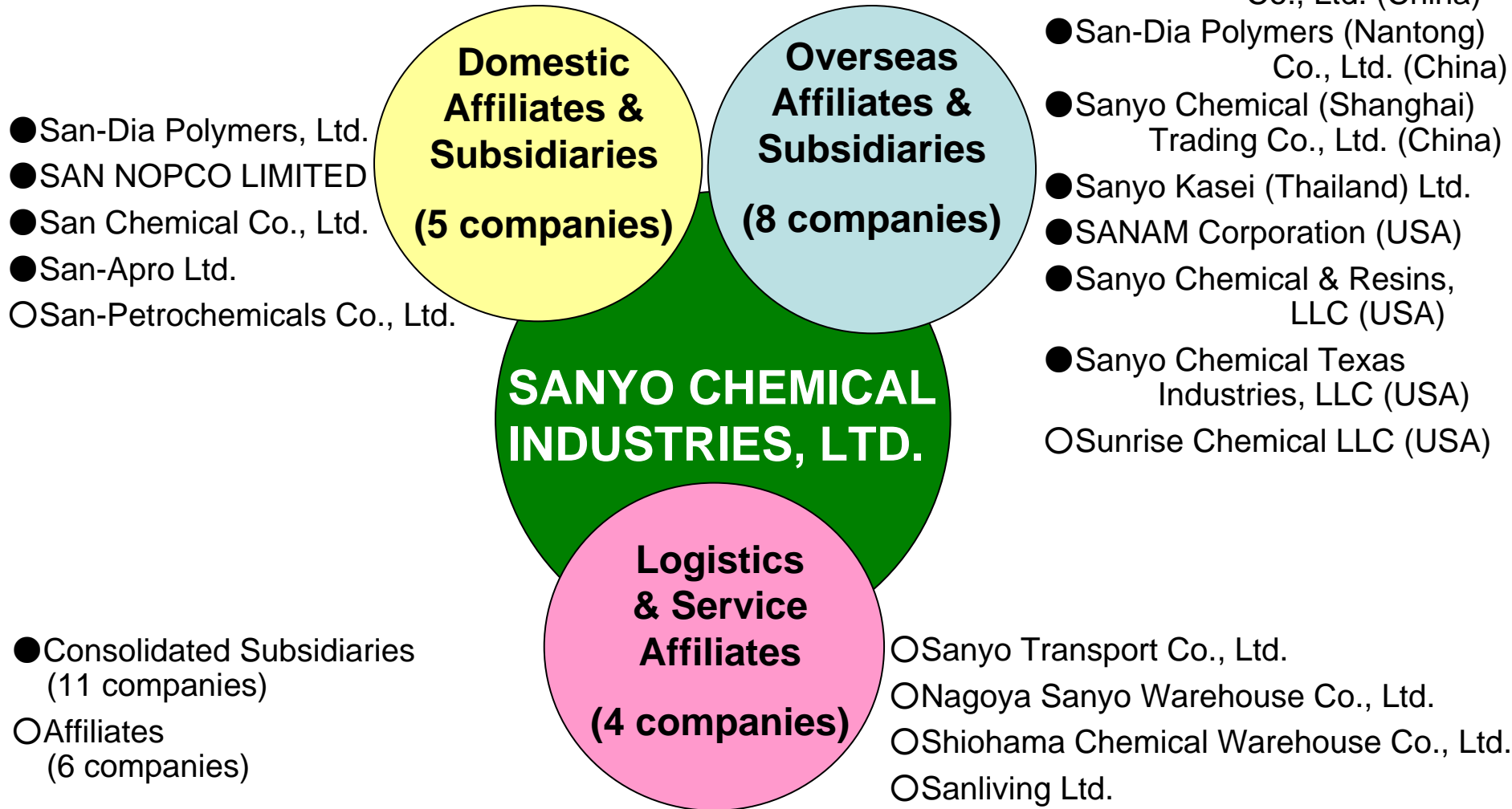
Class.	Sub-category	Principal products
Toiletries & Health Care	Toiletries	Surfactants for Detergents, Surfactants for Hair Care Products,
	Health Care	Superabsorbent Polymers (SAP), Base Materials for Pharmaceuticals, Germicides/Disinfectants, EIA Diagnostic Reagents, Potting Resins for Artificial Kidneys
Petroleum & Automotives		Polyurethane Beads for Interior Parts of Automobiles, Raw Materials for Polyurethane Foams (PPG), Lubricating Oil Additives, Additives for Fuel Oils, Water-Soluble Cutting Fluids, CFC-Free Cleaning Agents, Base Materials for Synthetic Lubricants, Paste resin for design model
Plastics & 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, Agents for Fiberglass, Polyurethane Resins for Synthetic Leather
Information & Electrics /Electronics	Information	Polyester Beads Used as a Core Component of Polymerization Toners, Toner Resins
	Electrics /Electronics	UV/EB Curing Resins, Electrolytes for Aluminum Electrolytic Capacitors, Electrolytes for Electric Double-Layer Capacitors, Processing Agents for Semiconductors
Environmental Protection, Construction & Others		Polymer Flocculants, Polyurethane for Heat-Insulating Materials (PPG), Slurry Agents, Reactive Hot-Melt Adhesives

(Note) Sanyo Chemical has changed the description of the “Machinery & Automotives” reporting segment to “Petroleum & Automotives” to better express the actual nature of the business. This change is a change in description only and there has been no change to the products included in the segment.

Proportion of Net Sales by Product Group



Sanyo Chemical Group



Domestic Consolidated Subsidiaries (4 companies)

Company name	Abbr.	Equity ownership		Line of business
San-Dia Polymers, Ltd.	SDP	Sanyo Chemical Mitsubishi Chemical	60% 40%	Manufacture & sales of superabsorbent polymers
SAN NOPCO LIMITED	SNL	Sanyo Chemical	100%	Manufacture & sales of surfactants
San Chemical Co., Ltd.	SCC	Sanyo Chemical JX Nippon Oil & Energy Corporation	50% 50%	Manufacture of raw materials for polyurethane foam
San-Apro Ltd.	SA	Sanyo Chemical Air-Products	50% 50%	Manufacture & sales of curing accelerators for epoxy resins, and urethane catalysts

Overseas Consolidated Subsidiaries (7 companies)

Company namez	Abbr.	Equity ownership		Line of business
Sanyo Kasei (Nantong) Co., Ltd. [China]	SKN	Sanyo Chemical	100%	Manufacture of surfactants and polyurethane resins
San-Dia Polymers (Nantong) Co., Ltd. [China]	SDN	San-Dia Polymers	100%	Manufacture & sales of superabsorbent polymers
Sanyo Chemical (Shanghai) Trading Co., Ltd. [China]	SCST	Sanyo Chemical	100%	Import and export of chemicals, market surveys in China, and sales-related activities
Sanyo Kasei (Thailand) Ltd. [Thailand]	SKT	Sanyo Chemical Toyota Tsusho & others	89% 11%	Manufacture & sales of surfactants and polyurethane resins
SANAM Corporation [USA]	SANAM	Sanyo Chemical	100%	Supervising of subsidiaries and an affiliate in USA
Sanyo Chemical & Resins, LLC [USA]	SCR	SANAM	100%	Manufacture of toner resins
Sanyo Chemical Texas Industries, LLC [USA]	SCTI	SANAM	100%	Manufacture of polyurethane beads

Affiliates (6 companies)

Company name	Abbr.	Equity ownership		Line of business
San-Petrochemicals Co., Ltd.	SPCC	Sanyo Chemical JX Nippon Oil & Energy	50% 50%	Manufacture & sales of raw materials for synthetic rubbers
Sunrise Chemical LLC [USA]	SRC	SANAM NISSEKI Chemical Texas	50% 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 Chemicals Warehouse Co., Ltd.	—	Sanyo Chemical JX Nippon Oil & Energy	50% 50%	Warehousing
Sanliving Ltd.	SL	Sanyo Chemical	100%	Real estate, insurance, and travel agency

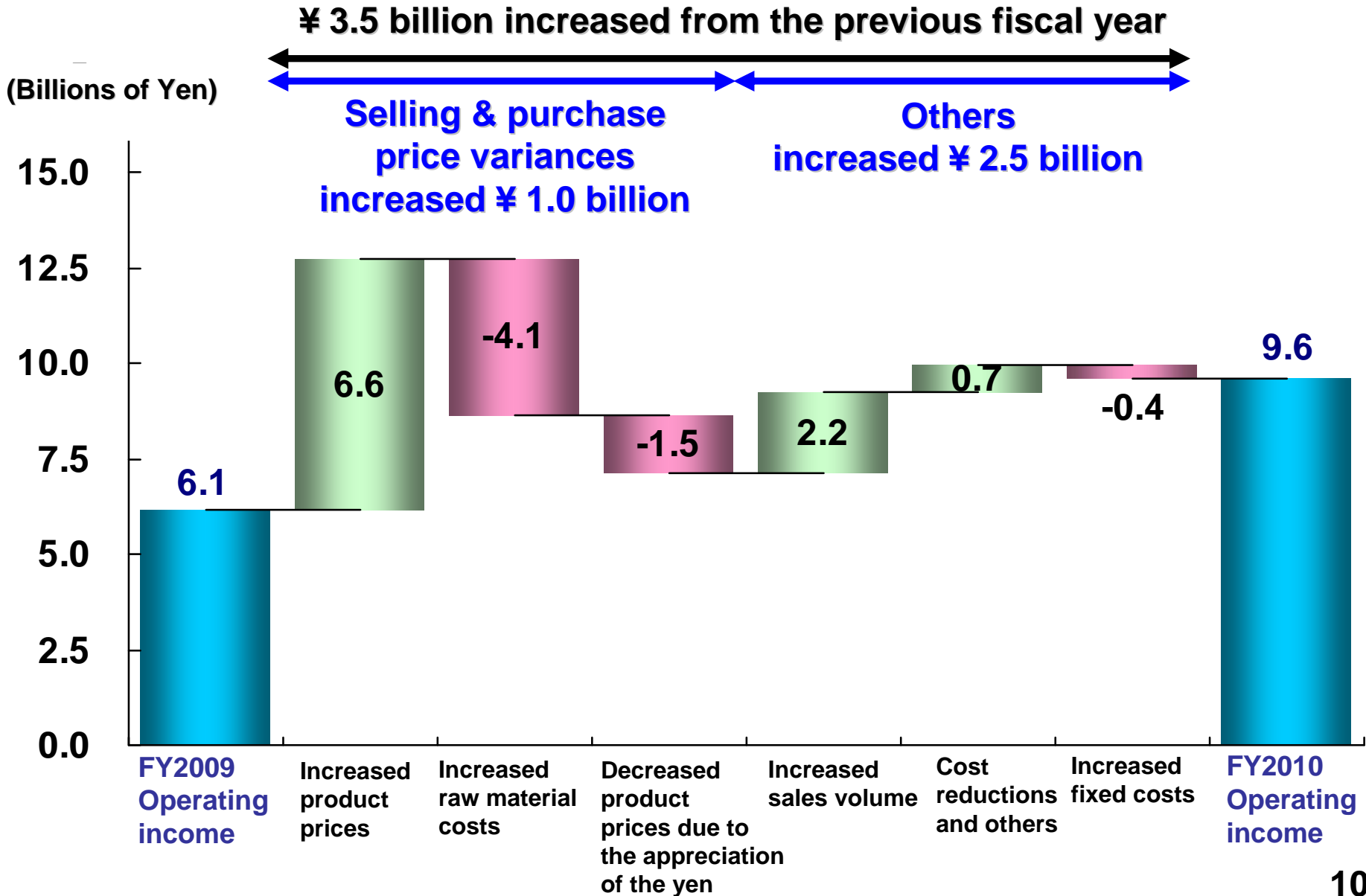
Consolidated Results of Operations for FY2010

(Billions of Yen)

	FY2010	FY2009	Year on year change	
			Amount	Ratio (%)
Net sales	136.0	119.1	16.8	14
Operating income	9.6	6.1	3.5	56
Ordinary income	10.5	6.0	4.5	75
Net income	5.2	2.5	2.6	2.0 times
Comprehensive income	6.7	6.6	0.0	1

(Note) Effective from the consolidated fiscal year under review, Sanyo Chemical has applied the Accounting Standard for Presentation of Comprehensive Income and recorded comprehensive income.

Analysis of Changed Consolidated Operating Income



Analysis of Changed Consolidated Net Income

(Billions of Yen)

	FY2010	FY2009	Year on year change
Operating income	9.61	6.14	3.46
Equity in earnings of unconsolidated affiliates	0.67	(0.36)	1.04
Exchange gain and loss	(0.27)	0	(0.27)
Other non-operating expenses	0.51	0.24	0.27
Ordinary income	10.52	6.01	4.50
Gain (loss) on investment securities	0	(0.41)	0.41
Loss on impairment of tangible fixed assets	(0.39)	(0.06)	(0.33)
Loss on disaster	(0.37)	-	(0.37)
Other extraordinary income (expenses)	(0.31)	(0.27)	(0.03)
Income before income taxes & minority interests	9.43	5.25	4.17
Income taxes, etc.	(3.05)	(1.99)	(1.05)
Minority interests	(1.17)	(0.72)	(0.45)
Net income	5.20	2.54	2.66

Non-Consolidated Results of Operations for FY2010

(Billions of Yen)

	FY2010	FY2009	Year on year change	
			Amount	Ratio (%)
Net sales	93.6	83.5	10.1	12
Operating income	4.1	3.1	1.0	32
Ordinary income	6.1	4.5	1.6	35
Net income	4.0	2.8	1.2	45

Analysis of Changed Non-Consolidated Operating Income

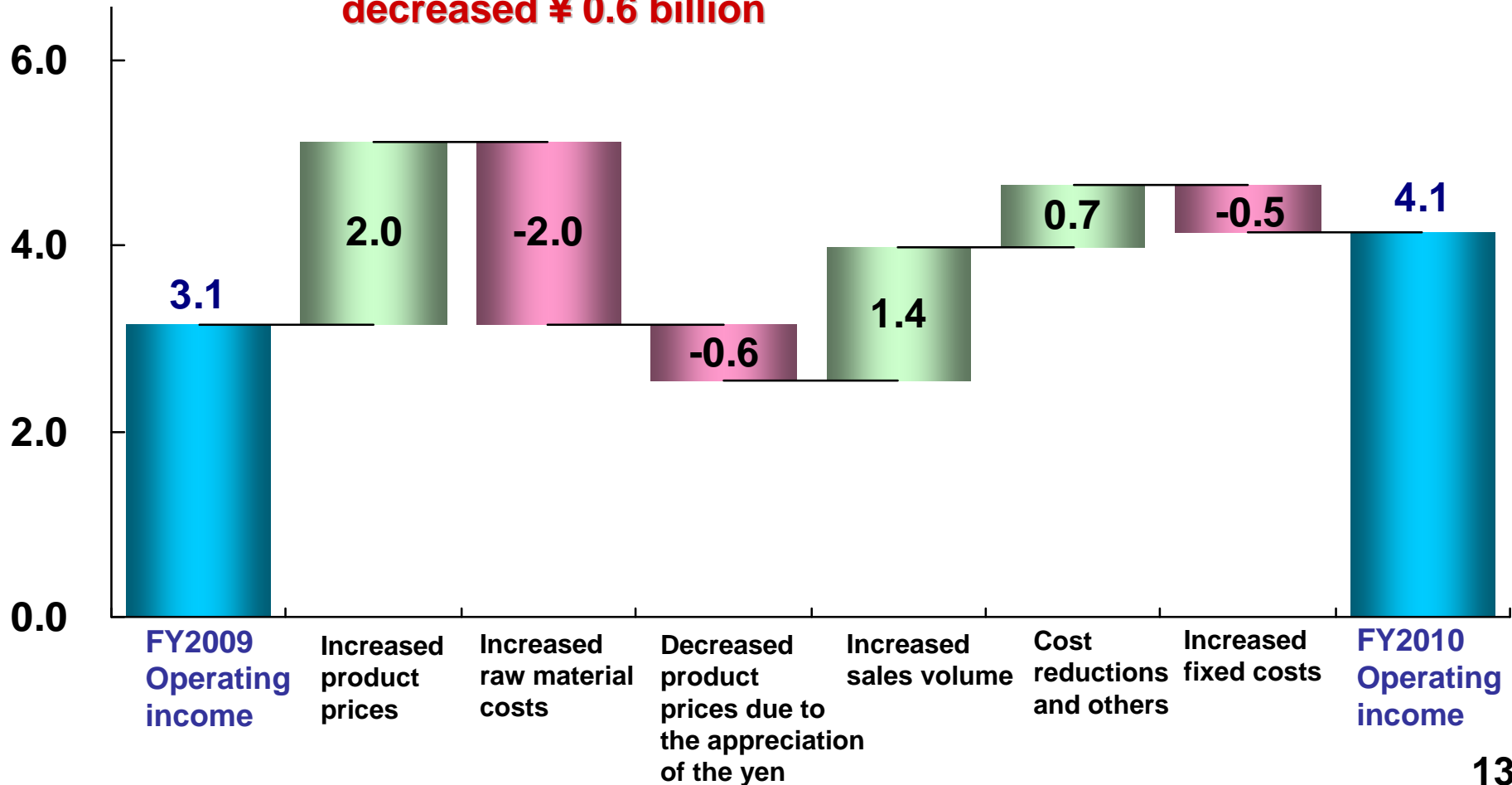
¥ 1.0 billion increased from the previous fiscal year



(Billions of Yen)

Selling & purchase price variances decreased ¥ 0.6 billion

Others increased ¥ 1.6 billion



Analysis of Changed Non-Consolidated Net Income

(Billions of Yen)

	FY2010	FY2009	Year on year change
Operating income	4.13	3.13	1.00
Dividends income	1.53	1.05	0.48
Exchange gain and loss	(0.11)	(0.10)	0
Other non-operating expenses	0.63	0.50	0.13
Ordinary income	6.19	4.58	1.61
Gain (loss) on investment securities	0	(0.41)	0.41
Loss on disaster	(0.37)	-	(0.37)
Other extraordinary income (expenses)	(0.29)	(0.23)	(0.05)
Income before income taxes & minority interests	5.53	3.93	1.59
Income taxes, etc.	(1.46)	(1.13)	(0.33)
Net income	4.06	2.80	1.26

Consolidated Balance Sheet

(Billions of Yen)

	Mar. 31 2011	Mar. 31 2010	Changed amount	Notes: Changed amount
Current assets	65.3	64.8	0.4	Increase of notes & accounts receivable: 2.7, Increase of inventories: 0.8, Decrease of cash & deposits: (3.5)
Fixed assets	75.4	72.1	3.3	Investment in plant & equipment: 11.1, Depreciation: (7.9), Gain on valuation of investment securities: 1.6
Assets	140.8	136.9	3.8	
Current liabilities	40.2	45.2	(4.9)	Redemption of convertible bonds: (10.0), Current portion of long-term debt: 2.2
Long-term liabilities	12.1	8.0	4.1	Long-term debt: 4.6, Provision for retirement benefits: (0.7)
Liabilities	52.4	53.2	(0.8)	
Shareholder's equity	82.1	78.5	3.5	Increase of retained earnings: 3.5
Other comprehensive income	3.1	2.5	0.5	Valuation difference on available-for-sale securities: 1.1 Foreign currency translation adjustment: (0.6)
Minority interests	3.1	2.5	0.5	
Net assets	88.3	83.7	4.6	
Liabilities & net assets	140.8	136.9	3.8	

¥3 billion of internal funds & ¥7 billion of borrowings were assigned to redemption of ¥10 billion of convertible bonds.

Consolidated Cash Flows

(Billions of Yen)

	FY2010	FY2009	Changed amount	Notes: Changed amount
Operating activities	11.3	20.1	(8.7)	
Income before income taxes and minority interests	9.4	5.2	4.1	Improved profit
Depreciation and amortization	8.2	8.0	0.1	
(Increase) decrease in operating capital	(3.1)	4.3	(7.4)	Increased operating capital due to increased sales.
Income taxes paid	(3.0)	0	(3.1)	
Others	(0.1)	2.3	(2.5)	
Investing activities	(9.9)	(8.6)	(1.2)	
Free cash flows	1.4	11.4	(10.0)	
Financing activities	(4.6)	(2.8)	(1.7)	Redemption of convertible bonds: (10.0), Borrowings for redemption: 7.0
Net increase in cash & cash equivalents	(3.5)	8.5	(12.0)	
Cash & cash equivalents at end of period	12.0	15.5	(3.5)	

Subsidiary Results of Operations for FY2010

Internal sales among Sanyo Chemical Group are not eliminated.

11 Consolidated Subsidiaries

(Billions of Yen)

	FY2010	FY2009	Year on year change	
			Amount	Ratio (%)
Net sales	68.5	58.9	9.6	16
Operating income	5.2	2.7	2.4	90
Ordinary income	5.5	2.2	3.2	2.4 times

SDP Group (SDP & SDN)

(Billions of Yen)

	FY2010	FY2009	Year on year change	
			Amount	Ratio (%)
Net sales	32.8	28.2	4.5	16
Operating income	3.6	1.8	1.7	97
Ordinary income	3.4	1.8	1.6	90

Forecast for FY2011

(Billions of Yen)

Consolidated	Annual			1H: April-September		
	FY2011	FY2010	Ratio(%)	FY2011	FY2010	Ratio(%)
Net sales	140.0	136.0	3	65.0	67.2	(3)
Operating income	8.6	9.6	(11)	3.7	5.2	(29)
Ordinary income	9.6	10.5	(9)	4.2	5.5	(24)
Net income	5.9	5.2	13	2.7	3.2	(16)

Non-Consolidated	Annual			1H: April-September		
	FY2011	FY2010	Ratio(%)	FY2011	FY2010	Ratio(%)
Net sales	92.0	93.6	(2)	44.0	46.5	(5)
Operating income	4.1	4.1	(1)	1.8	2.7	(34)
Ordinary income	6.0	6.1	(3)	2.7	3.7	(28)
Net income	4.2	4.0	3	1.9	2.6	(30)

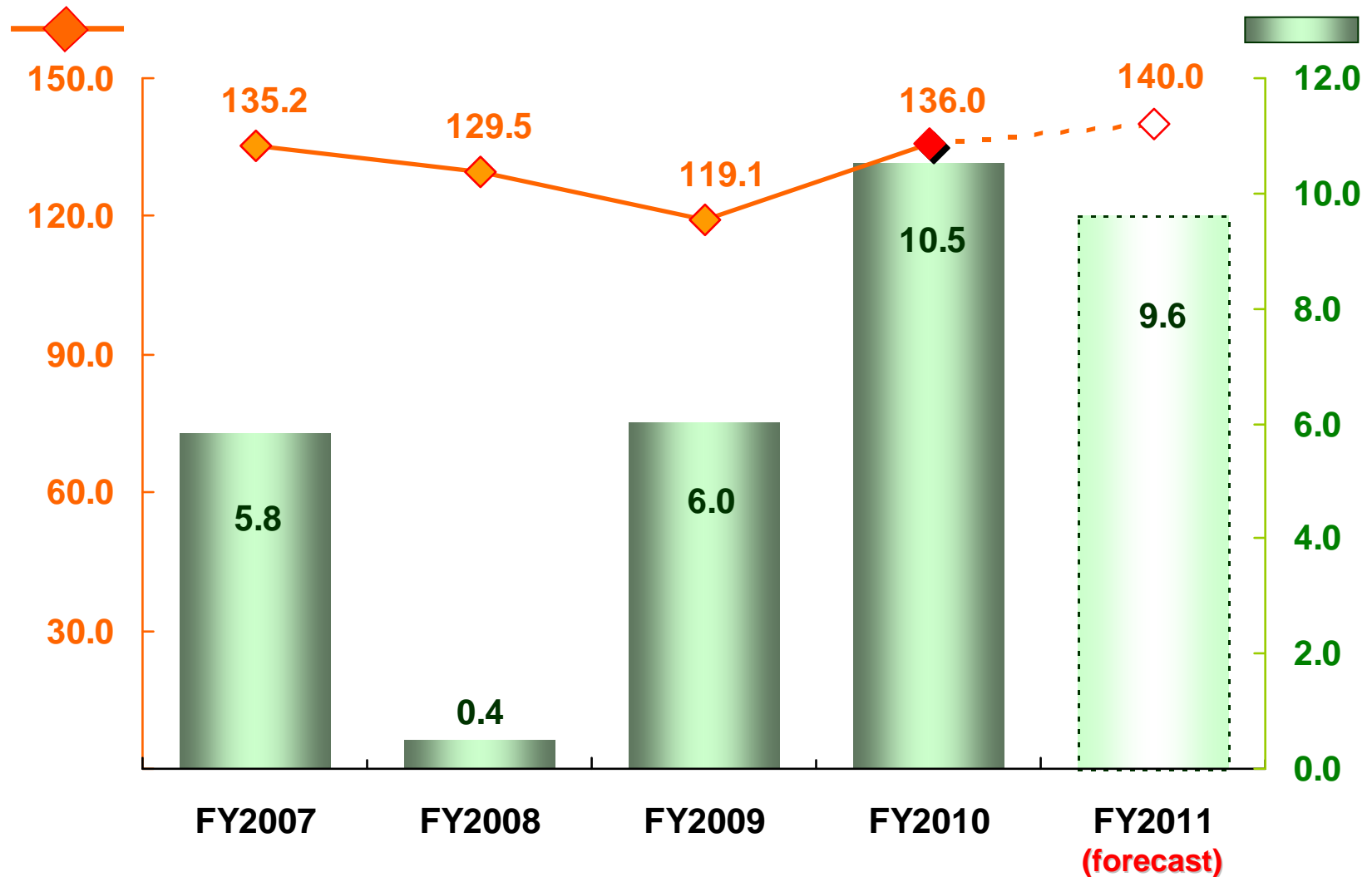
<Precondition for the forecast>

Domestic naphtha price: 53 thousand of Yen/kl, Exchange rate: 80 Yen/US\$

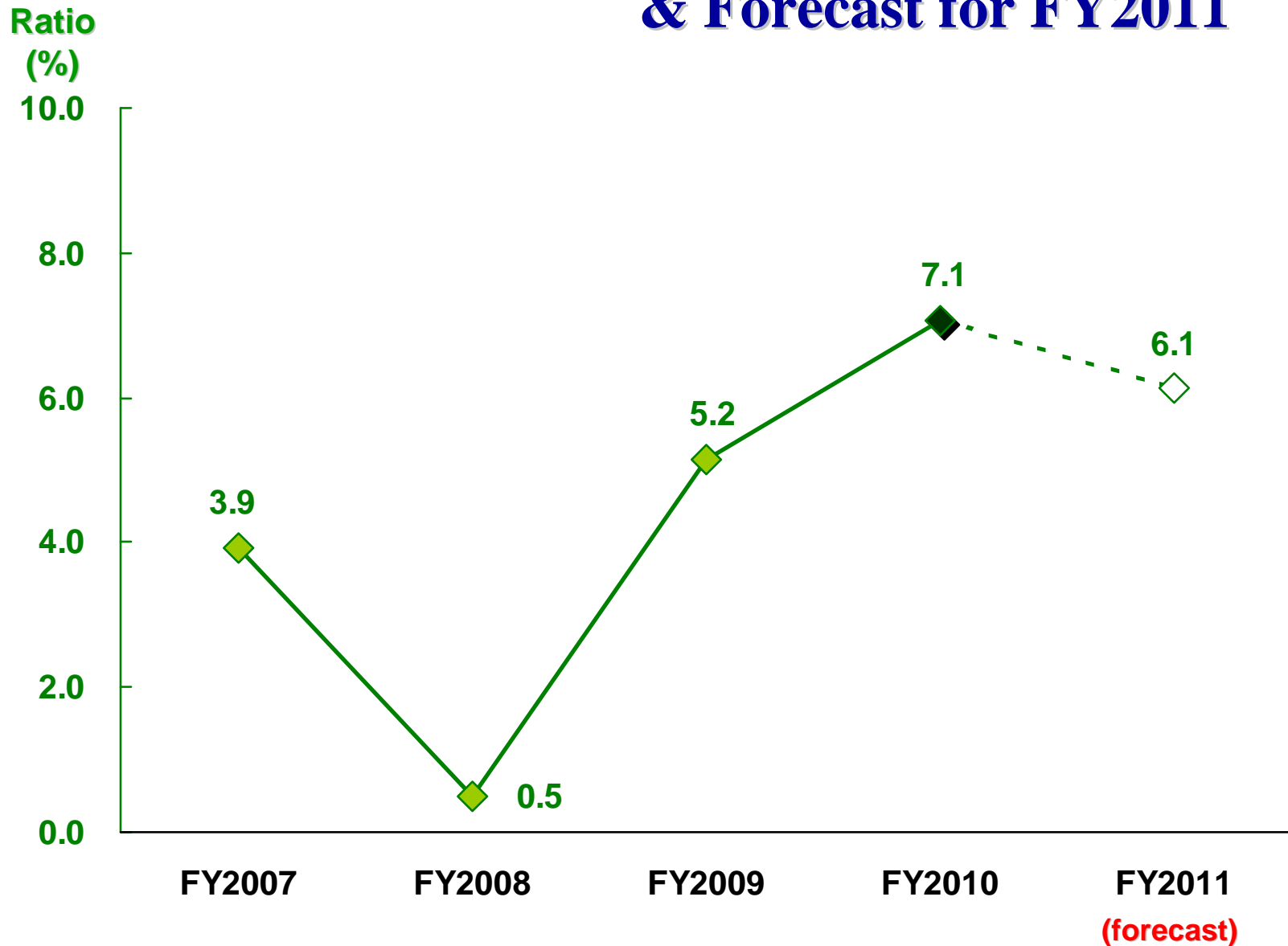
Consolidated Business Result Trend & Forecast for FY2011

Net sales
(Billions of Yen)

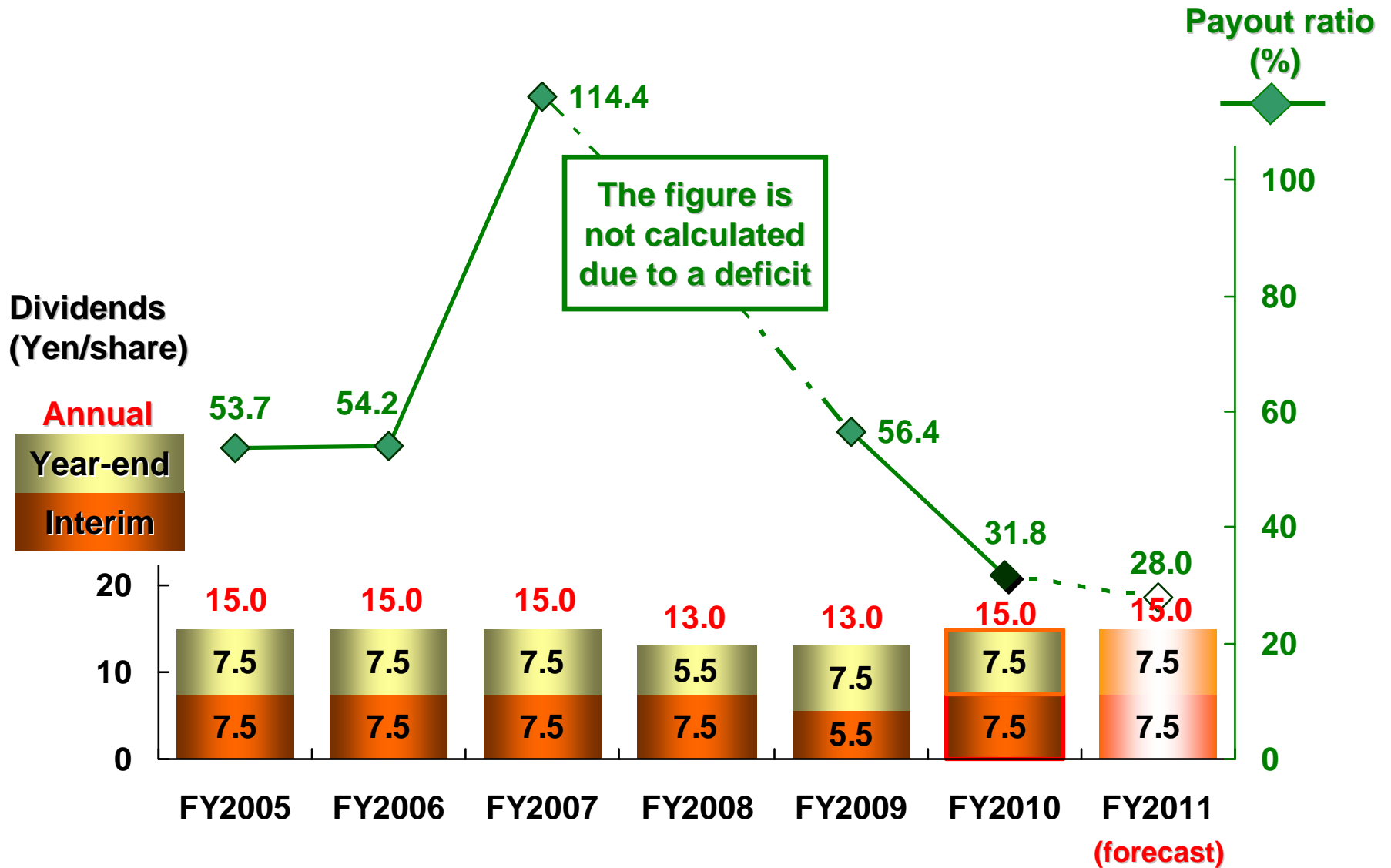
Ordinary income
(Billions of Yen)



Trend of Consolidated Operating Income Ratio & Forecast for FY2011



Trend of Dividends per Share & Payout Ratio (consolidated)



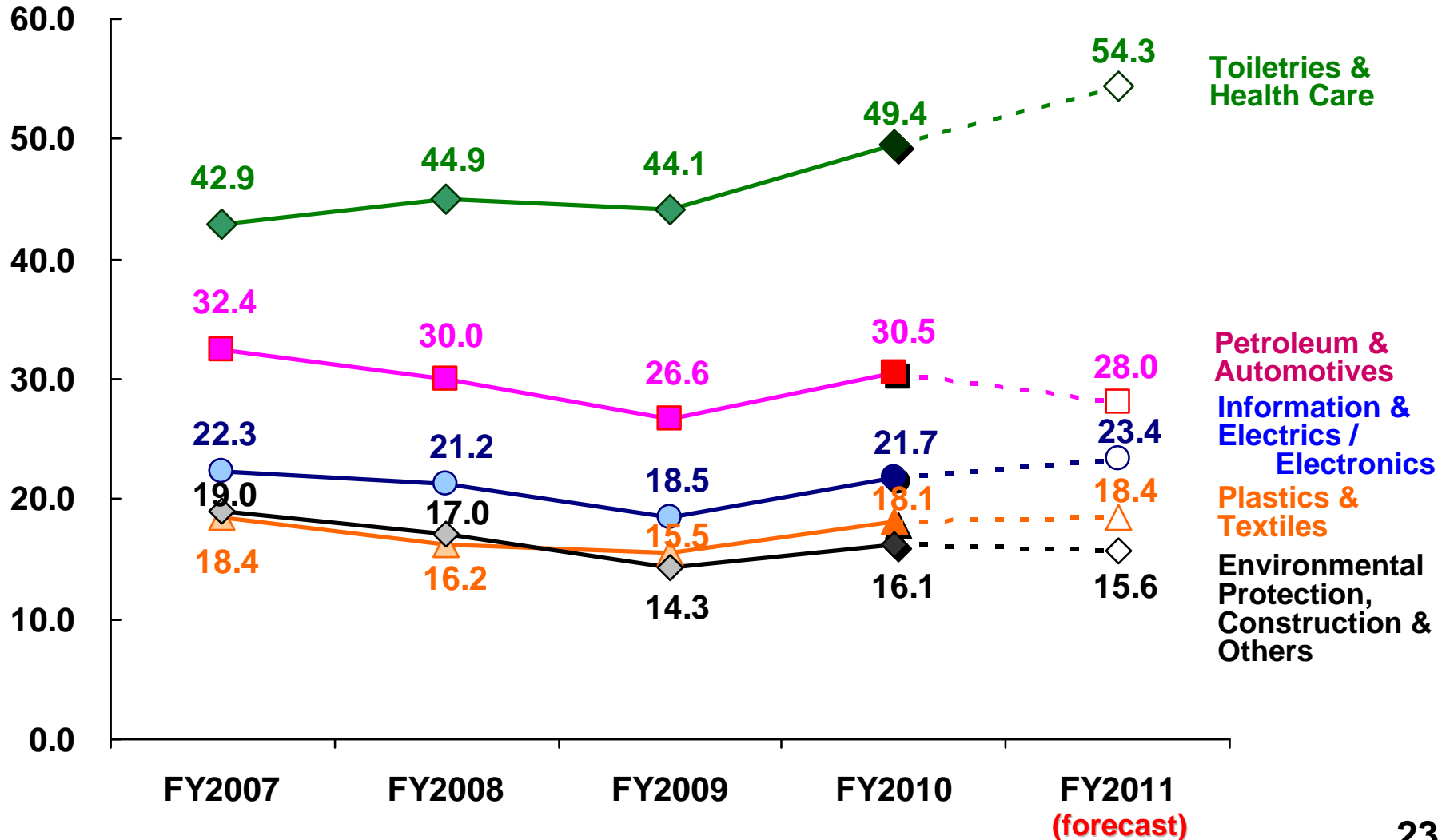
Consolidated Net Sales by Product Group

(Billions of Yen)

Product group	FY2010	FY2009	Year on year change	
			Amount	Ratio (%)
Toiletries & Health Care	49.4	44.1	5.2	12
Toiletries	13.5	13.0	0.5	5
Health Care	35.8	31.1	4.7	15
Petroleum & Automotives	30.5	26.6	3.9	15
Plastics & Textiles	18.1	15.5	2.5	16
Plastics	10.6	9.4	1.2	13
Textiles	7.4	6.1	1.3	21
Information & Electrics / Electronics	21.7	18.5	3.2	18
Information	14.4	12.6	1.8	14
Electrics / Electronics	7.2	5.8	1.4	24
Environmental Protection, Construction & Others	16.1	14.3	1.8	13
Total	136.0	119.1	16.8	14

Consolidated Net Sales Trend by Product Group & Forecast for FY2011

Net sales
(Billions of Yen)



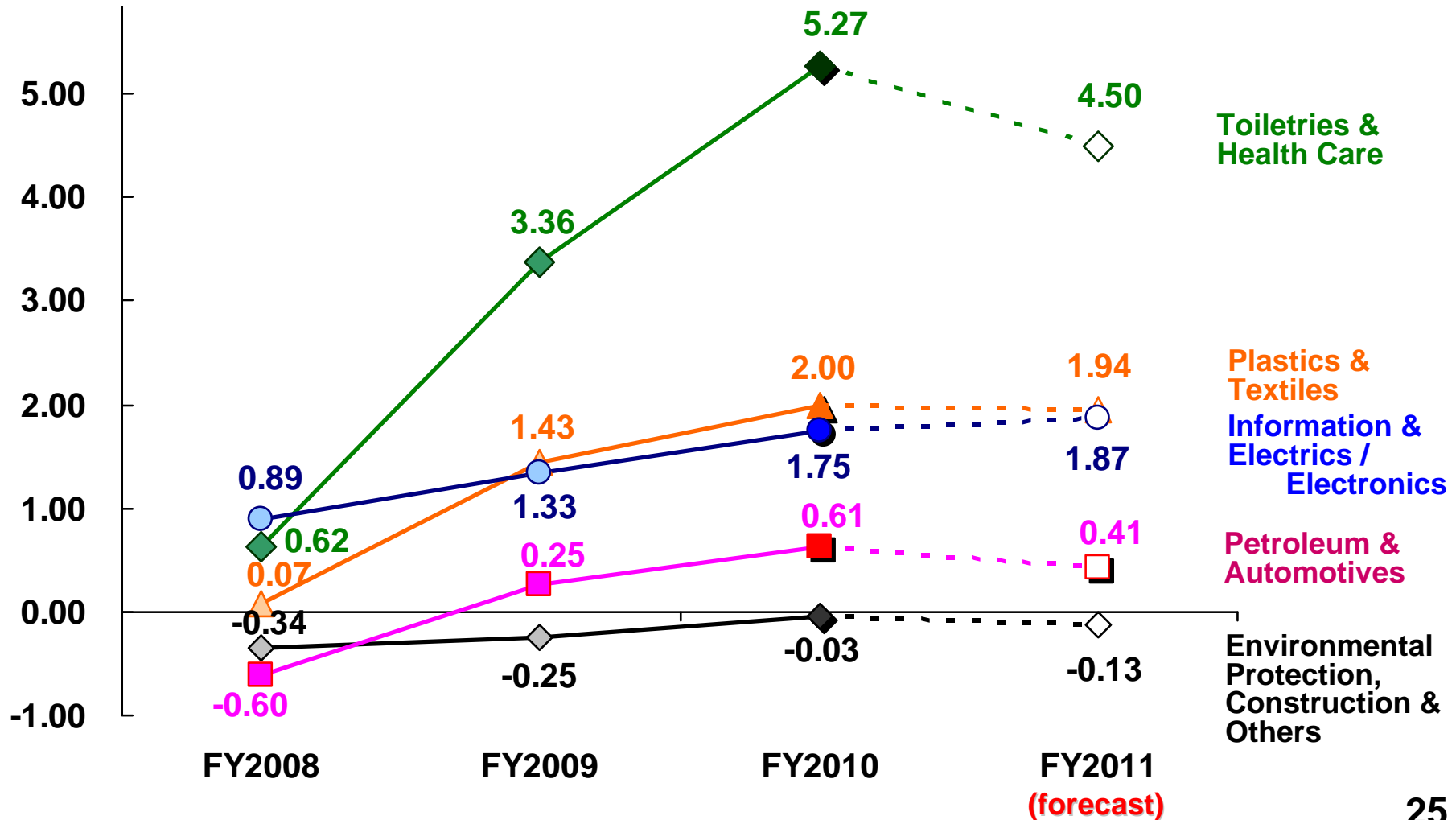
Consolidated Operating Income by Product Group

(Billions of Yen)

Product group	FY2010	FY2009	Year on year change	
			Amount	Ratio (%)
Toiletries & Health Care	5.27	3.36	1.90	57
Petroleum & Automotives	0.61	0.25	0.36	2.4 times
Plastics & Textiles	2.00	1.43	0.56	40
Information & Electrics / Electronics	1.75	1.33	0.41	31
Environmental Protection, Construction & Others	(0.03)	(0.25)	0.21	Got deficit down
Total	9.61	6.14	3.46	56

Consolidated Operating Income Trend by Product Group & Forecast for FY2011

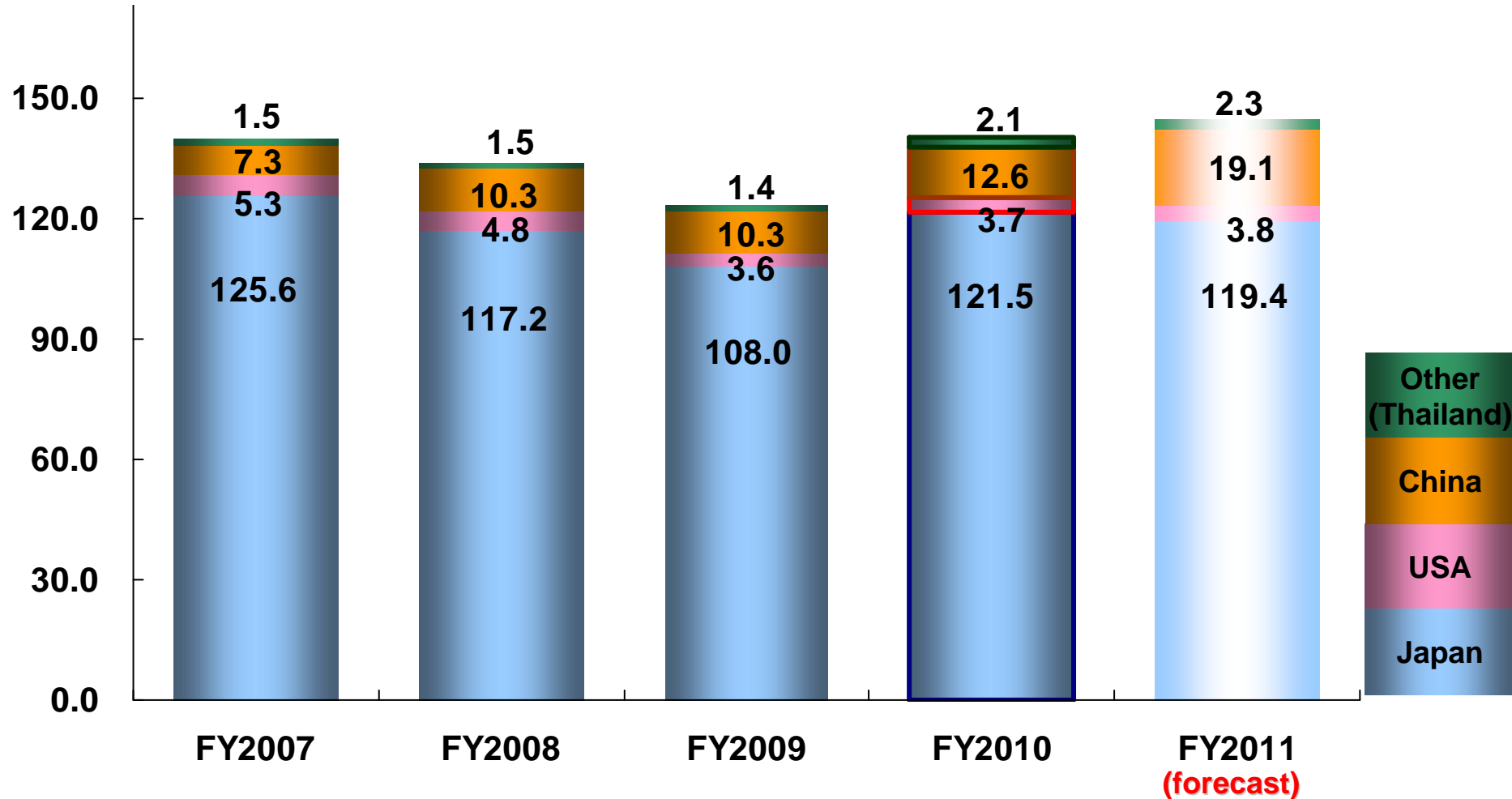
Operating income
(Billions of Yen)



Geographic Segments (Net Sales)

Internal sales among Sanyo Chemical Group are not eliminated.

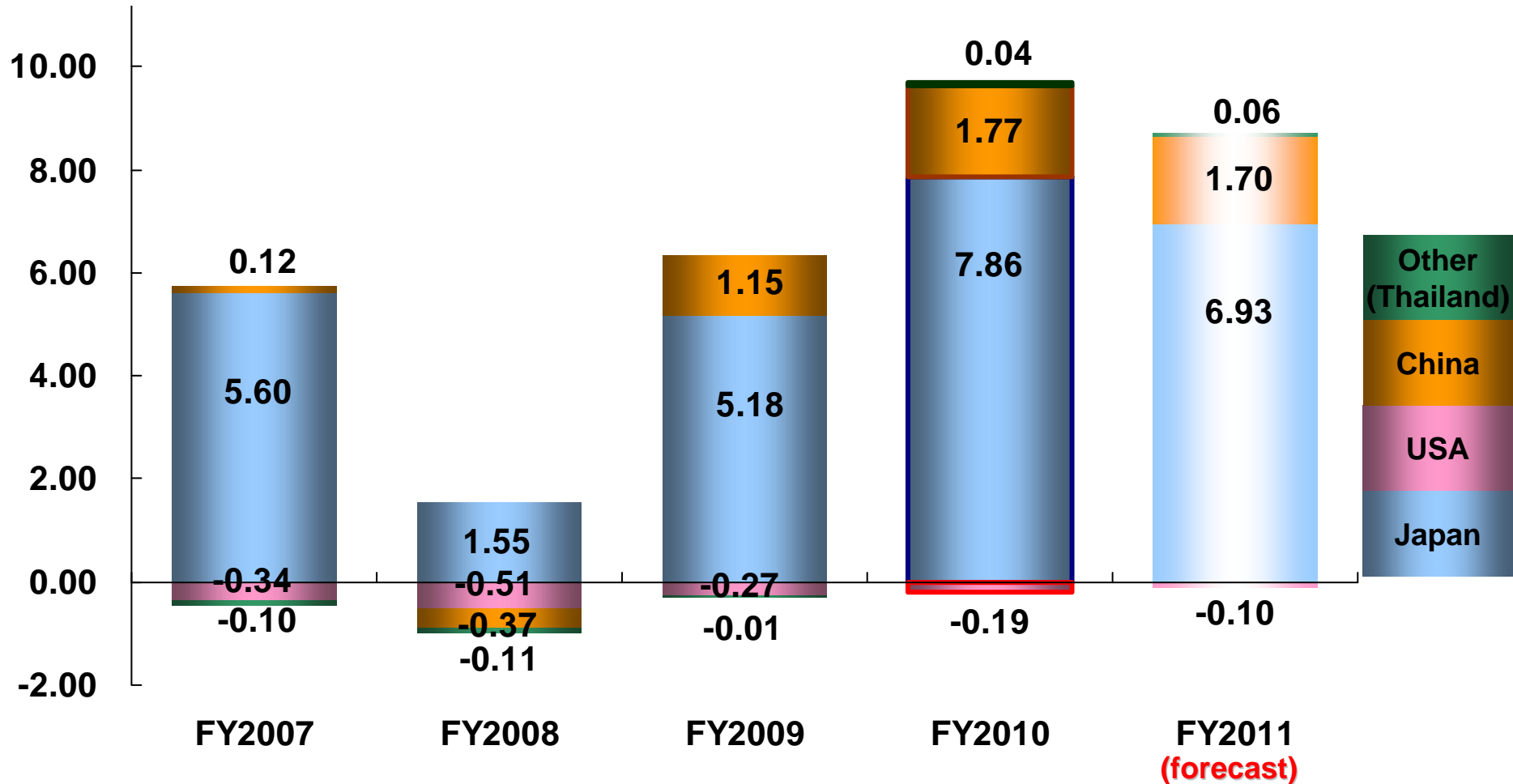
Net sales
(Billions of Yen)



Geographic Segments (Operating Income)

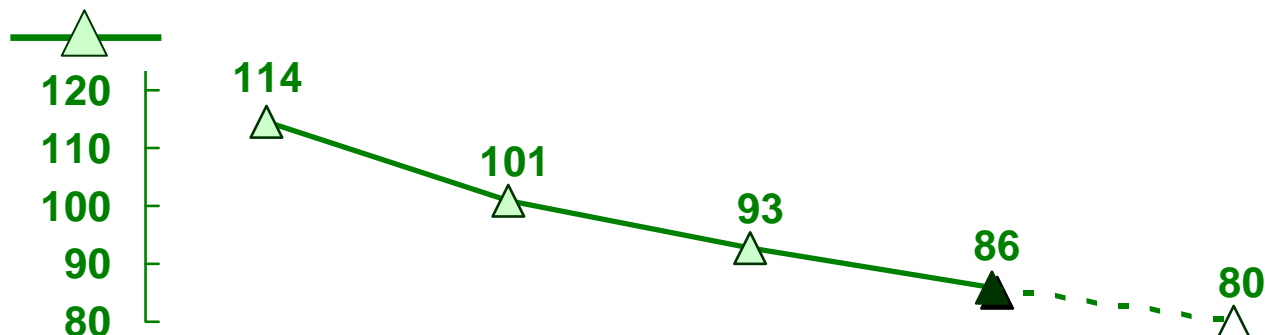
Internal sales among Sanyo Chemical Group are not eliminated.

Operating income
(Billions of Yen)

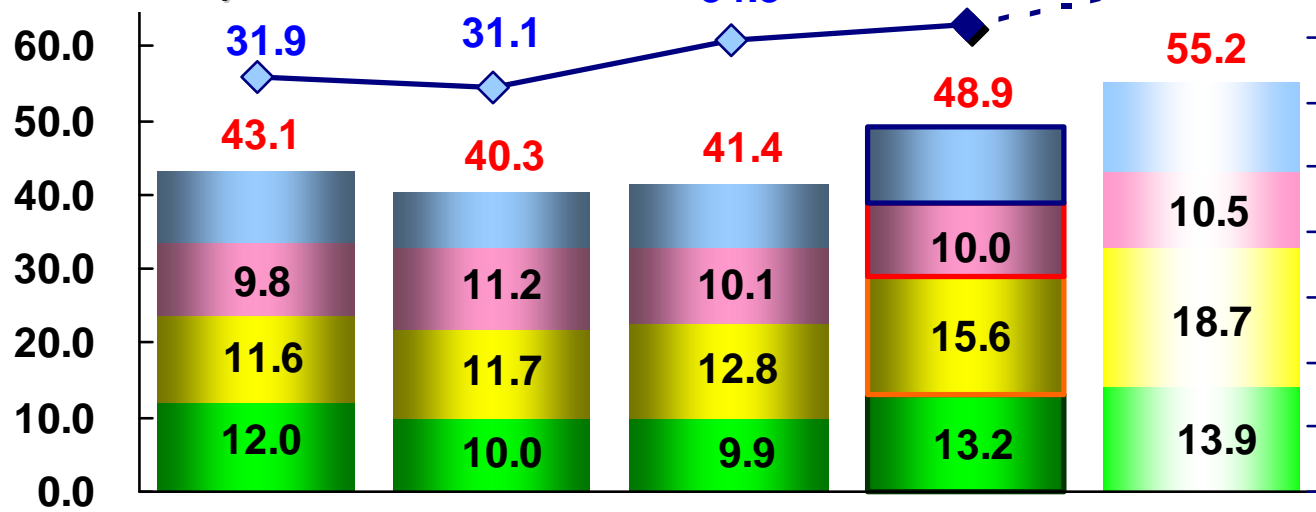


Consolidated Overseas Sales Trend

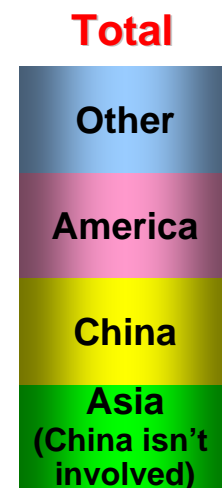
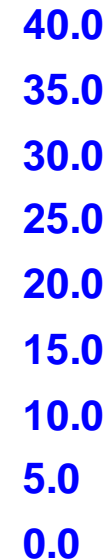
Exchange rate (¥ / US\$)
(Average rate)



Overseas sales
(Billions of Yen)



Overseas sales ratio (%)



FY2007

FY2008

FY2009

FY2010

FY2011
(forecast)

Strategic Product Trend (Consolidated)

Strategic products, which are set in FY2003 refers to the products developed as a priority to improve profitability and expand business areas. There are 15 items.

Net sales
(Billions of Yen)

25.0

20.0

15.0

10.0

5.0

0.0

FY2007

FY2008

FY2009

FY2010

18.9

19.1

17.3

19.8

11.7

12.7

10.3

12.2

7.2

6.3

6.8

7.5

Total

Main items

Environmental & biotechnology

Copiers & electronics

Automobiles

- High performance polymer flocculants

- Polyester beads used as a core component of polymerization toners
- Permanent antistatic agents
- Cleaners for electronic materials

- Thermoplastic polyurethane beads for the interior parts of automobiles

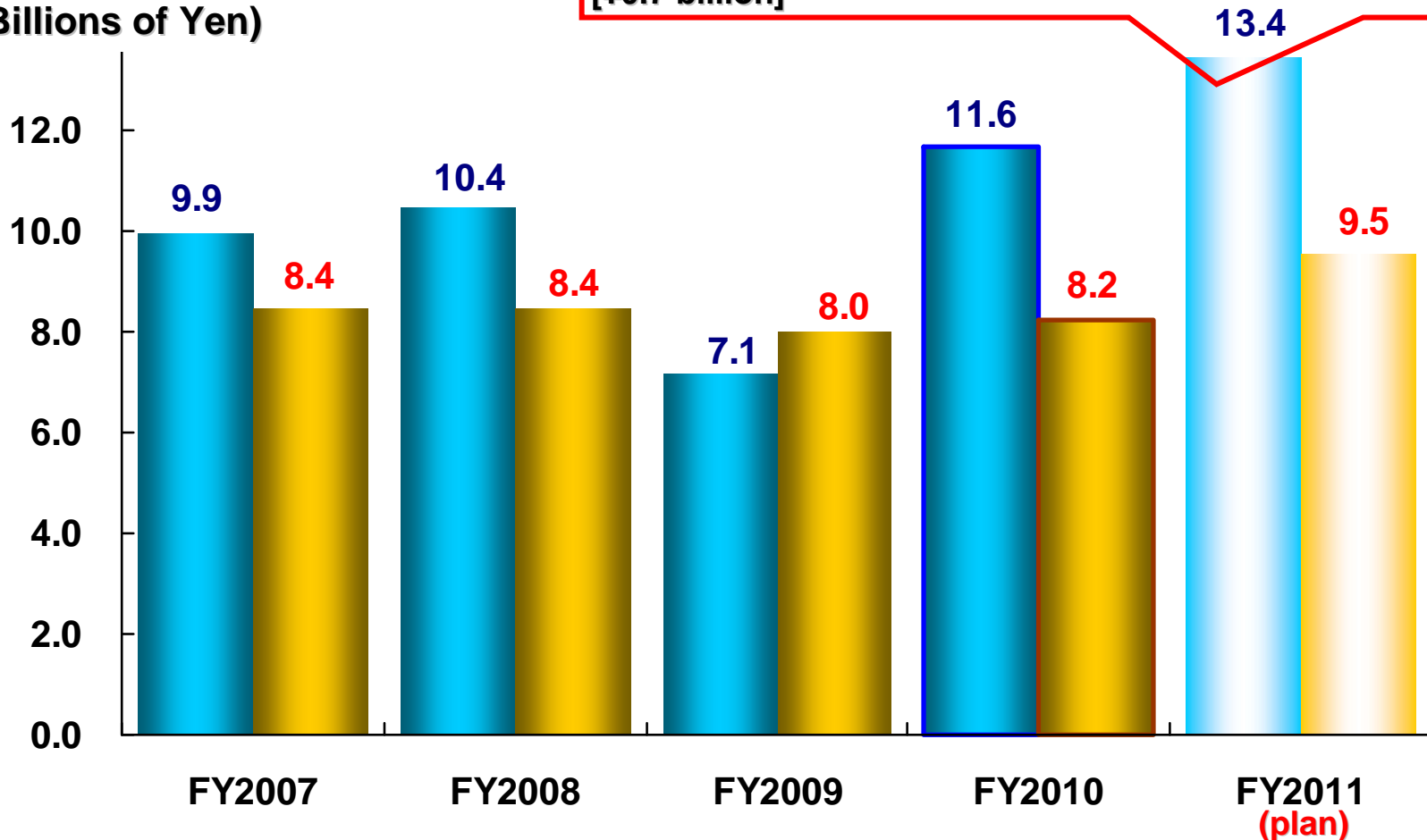
Consolidated Investment in Plant & Equipment, and Depreciation & Amortization

 Investment in plant & equipment
 Depreciation & amortization

Main capital investment

- For lubricating oil additives (¥0.5 billion for SANYO CHEMICAL INDUSTRIES.LTD., ¥0.3 billion for SCR)
- For SDN: Expansion of production facilities for SAP [¥0.7 billion]

(Billions of Yen)



Topics (the Eighth Medium-Term Management Plan)

- **Period: FY2011 - FY2014**

- **Slogan:**

“Challenge 2000 & 200”

Consolidated net sales of ¥200 billion or higher

Operating income of ¥20 billion or higher

Return on assets (ROA) of 12% or higher

Note: The slogan refers to numeral amounts recorded in units of 100 million.

The Group has established the long-term goal of growing into a major company both in name and substance, and is aiming to achieve consolidated net sales of ¥300 billion and operating income of ¥30 billion by FY2020. The Eighth Medium-Term Management Plan is positioned as an important steppingstone toward these goals.

Note that there are concerns that the Great East Japan Earthquake, which occurred in March, will have an extensive impact on the Group, but at the present time its impact on this plan has not been assessed. Therefore, there is a possibility that some of the numerical targets may be revised after the impact of the disaster is taken into account.