Annual Report 2011

Fiscal Year 2010: Year ended March 31, 2011

“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.

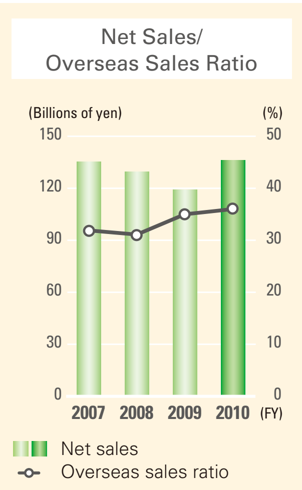
These projections were determined by Sanyo Chemical's executives based on information available to them at the time of writing. Please be advised that actual performance results may vary significantly due to a variety of factors affecting our group's sphere of business that include but are not limited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

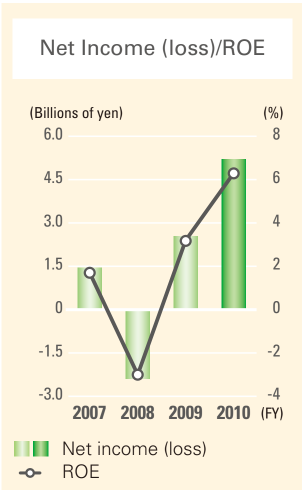
Consolidated Financial Highlights

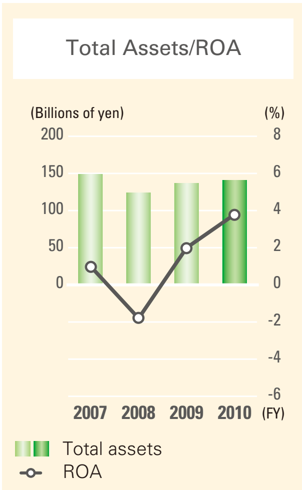
SANYO CHEMICAL INDUSTRIES, LTD. and Consolidated Subsidiaries

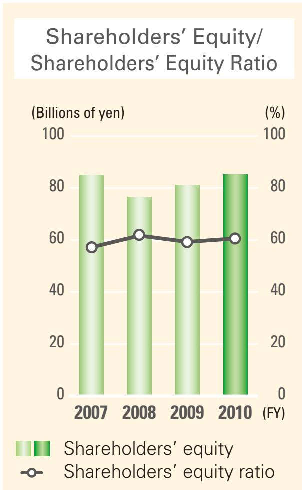
	(Millions of Yen)			(Thousands of U.S. Dollars)	(%)
	FY2010	FY2009	FY2008	FY2010	Change (10/09)
For the fiscal year:					
Net sales	¥136,026	¥119,193	¥129,555	$1,635,911	14.1
Operating income	9,615	6,146	640	115,634	56.4
Ordinary income	10,527	6,017	498	126,602	74.9
Income (loss) before income taxes and minority interests	9,436	5,259	(1,915)	113,481	79.4
Net income (loss)	5,209	2,544	(2,400)	62,645	104.7
Comprehensive income	6,757	6,665	—	81,262	1.4
At fiscal year-end:					
Total assets	140,817	136,991	123,901	1,693,529	2.8
Shareholders' equity	85,272	81,175	76,465	1,025,520	5.0
Per share:		(Yen)		(U.S. Dollars)	(%)
Net income (loss)	47.22	23.06	(21.75)	0.56	104.7
Cash dividends paid	15.00	13.00	13.00	0.18	15.4
Net assets	773.06	735.79	693.00	9.29	5.1
Ratios:		(%)			
Operating income ratio	7.1	5.2	0.5		—
Return (loss) on equity	6.3	3.2	(3.0)		—
Shareholders' equity ratio	60.6	59.3	61.7		—
Return (loss) on assets	3.8	2.0	(1.8)		—

Notes: 1. U.S. dollars have been converted at the rate of ¥83.15 to US$1, the effective rate of exchange at March 31, 2011.
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. 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).









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)	(%)
	FY2010	FY2009	FY2011 (Forecast)	FY2010	Change (10/09)
Toiletries and Health Care	¥ 49,475	¥ 44,186	¥ 54,370	$ 595,009	12.0
Petroleum and Automotives	30,535	26,609	28,090	367,227	14.8
Plastics and Textiles	18,113	15,550	18,426	217,835	16.5
Information and Electrics/ Electronics	21,744	18,502	23,441	261,503	17.5
Environmental Protection, Construction and Others	16,157	14,343	15,671	194,311	12.6
Total	¥136,026	¥119,193	¥140,000	$1,635,911	14.1

Notes: 1. U.S. dollars have been converted at the rate of ¥83.15 to US$1, the effective rate of exchange at March 31, 2011.
2. 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.
3. As the business environment has suddenly changed due to the Great East Japan Earthquake and the situation in the Middle East, we plan to review forecast for 2011 at the interim period.

Operating Income (Loss) by Segment

	(Millions of Yen)			(Thousands of U.S. Dollars)	(%)
	FY2010	FY2009	FY2011 (Forecast)	FY2010	Change (10/09)
Toiletries and Health Care	¥5,273	¥3,366	¥4,502	$ 63,415	56.6
Petroleum and Automotives	619	258	417	7,444	139.5
Plastics and Textiles	2,001	1,434	1,945	24,064	39.5
Information and Electrics/ Electronics	1,755	1,337	1,871	21,106	31.2
Environmental Protection, Construction and Others	(34)	(250)	(135)	(408)	—
Total	¥9,615	¥6,146	¥8,600	$115,634	56.4

Notes: 1. U.S. dollars have been converted at the rate of ¥83.15 to US$1, the effective rate of exchange at March 31, 2011.
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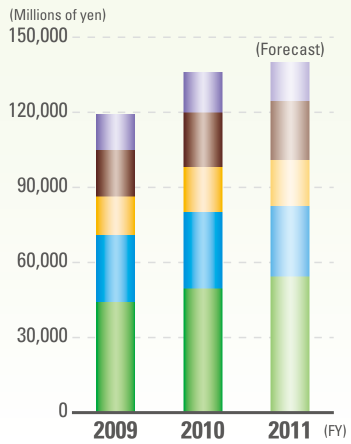
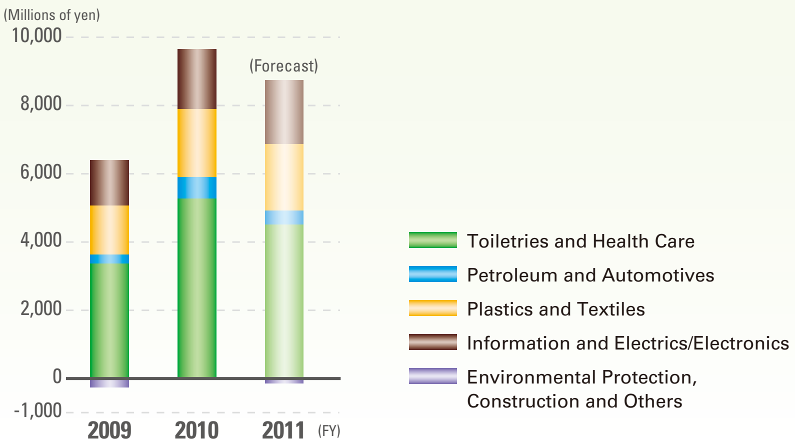
Net Sales by Segment



Operating Income (Loss) by Segment



Overseas Sales/Segment Information by Geography

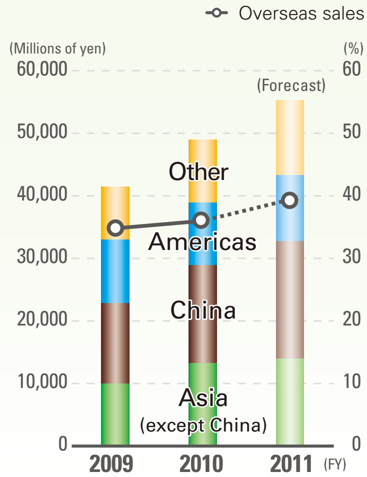
SANYO CHEMICAL INDUSTRIES, LTD. and Consolidated Subsidiaries

Overseas Sales

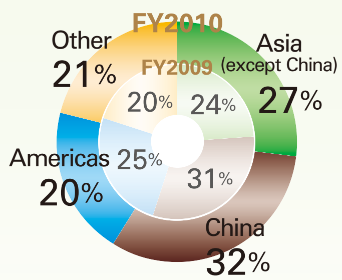
	(Millions of Yen)			(Thousands of U.S. Dollars)	(%)
	FY2010	FY2009	FY2011 (Forecast)	FY2010	Change (10/09)
Asia	¥28,868	¥22,798	¥32,747	$347,179	26.6
China	15,656	12,834	18,757	188,286	22.0
Americas	10,046	10,170	10,545	120,817	(1.2)
Other	10,075	8,498	11,985	121,166	18.6
Total	¥48,990	¥41,467	¥55,278	$589,176	18.1
Sales ratio (%)	36.0	34.8	39.4		
Rate of exchange (¥/$)	83.15	93.05			

Notes: 1. U.S. dollars have been converted at the rate of ¥83.15 to US$1, the effective rate of exchange at March 31, 2011.
2. Overseas sales are the sales amounts of SANYO CHEMICAL INDUSTRIES, LTD. (non-consolidated) 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.
5. As the business environment has suddenly changed due to the Great East Japan Earthquake and the situation in the Middle East, we plan to review forecast for 2011 at the interim period.

Overseas Sales



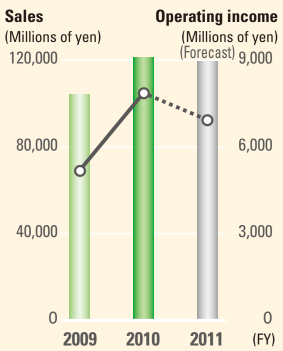
Breakdown of Overseas Sales by Region



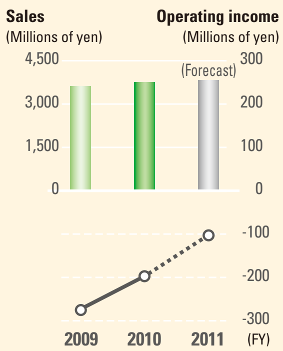
Segment Information by Geography (net sales & operating income)

Sales Operating income

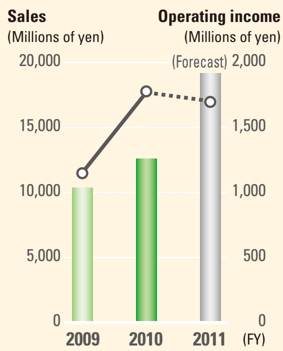
Japan



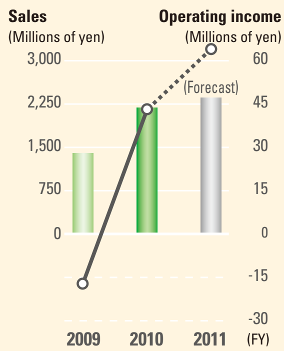
USA



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, EIA diagnostic reagents, potting resins for artificial kidneys, germicides/disinfectants, antibacterial agents

Petroleum and Automotives

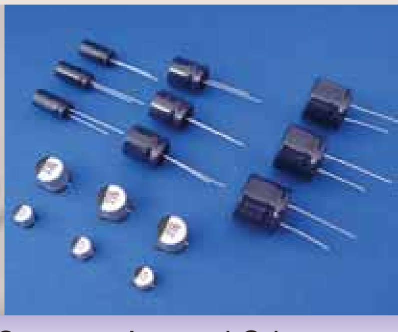

Petroleum and Automotives
Thermoplastic polyurethane beads for interior parts of automobiles (TUBs), raw materials for polyurethane foams, lubricating oil additives, additives for fuel oils, water-soluble cutting fluids, CFC-free cleaning agents, base materials for synthetic lubricants, paste resins for design model, paint resins

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, 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
UV/EB curing resins, electrolytes for aluminum electrolytic capacitors, electrolytes for electric double-layer capacitors, processing agents for semiconductors

Environmental Protection, Construction and Others


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

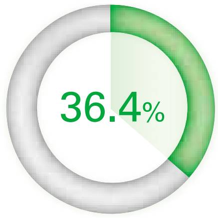
Review of FY2010

Sales Amount Composition Ratio of FY2010

In Toiletries, sales of surfactants for detergents increased briskly due to the growing popularity of liquid detergents. Sales of polyethylene glycol also increased substantially due to recovery in demand in Japan.

In Health Care, sales of superabsorbent polymers increased significantly due to globally higher demand for disposable diapers. Sales likewise increased briskly for adhesives for medical equipment, partly due to new product launches.

As a result, total net sales in this segment increased by 12.0% from the previous fiscal year, to ¥49,475 million. Operating income was ¥5,273 million (a 56.6% increase from the previous fiscal year).



In Petroleum and Automotives, despite flat sales in Japan of raw materials for general-purpose polyurethane foams used in automobile seats and other applications, sales increased substantially due to expanded sales reflecting higher demand overseas. Sales of raw materials for new high-performance polyurethane foams also increased due to the unique features of our raw materials. Sales of lubricating oil additives increased significantly. This growth was the result of expanded demand for lubricating oil used in Continuously Variable Transmissions (CVTs) and for engine oils designed for better fuel efficiency, due to the general shift among auto manufacturers toward greater fuel efficiency.

As a result, total net sales in this segment increased by 14.8% from the previous fiscal year, to ¥30,535 million. Operating income was ¥619 million (a 2.4 times increase from the previous fiscal year).

In Plastics, sales of permanent antistatic agents, partially used in the production of packaging materials for electronic components increased substantially due to sales expansion overseas. With increasing demand for raw materials for use in bumper coating due to brisk automobile production, sales of resin modifiers also increased.

In Textiles, sales of agents used in textile manufacturing processes for industrial materials including airbag and tire cord yarns increased substantially due to brisk production among auto manufacturers. Sales of agents for carbon fibers and polyurethane resins for synthetic leather also increased significantly.

As a result, total net sales in this segment increased by 16.5% from the previous fiscal year, to ¥18,113 million. Operating income was ¥2,001 million (a 39.5% increase from the previous fiscal year).

In Information, sales of polyester beads used as a core component of polymerization toners increased substantially due to a recovery in demand for color toner supported by the economic recovery. Sales of resins for pulverized toners also increased significantly due to higher demand for both black, and color toners.

In Electrics/Electronics, sales of electrolytes for aluminum electrolytic capacitors increased due to a recovery in demand for the automotive and the electronic appliances. Sales of silicon wafer processing agents also increased significantly with expansion of the photovoltaic cell market in Japan and overseas. Sales of resins for flat panel displays (FPDs) also increased substantially due to completing a marketing launch.

As a result, total net sales in this segment increased by 17.5% from the previous fiscal year, to ¥21,744 million. Operating income was ¥1,755 million (a 31.2% increase from the previous fiscal year).

In Environmental Protection, sales of cationic polymer flocculants decreased substantially due to increasingly intense competition and decreased demand in the Japan market. Although sales of cationic monomers, used as raw materials for flocculants, expanded overseas, sales remained unchanged. This reflected the decrease in sales volume due to our production equipment stoppages resulting from the Great East Japan Earthquake.

In Construction, sales of raw materials for polyurethane foams used for furniture and heat insulating materials increased substantially due to expanded marketing in Japan and overseas. Moreover, sales of raw materials for building sealants increased substantially due to the home eco-point system, while sales of raw materials for cement dispersants also increased significantly due to sales expansion.

As a result, total net sales in this segment increased by 12.6% from the previous fiscal year, to ¥16,157 million. Operating loss was ¥34 million (compared to an operating loss of ¥250 million for the previous fiscal year).

To Our Shareholders and Investors

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

We also wish to express our deepest condolences and sympathy to everyone who has suffered because of the Great East Japan Earthquake.

We would like to report on Sanyo Chemical Group's business activities in FY2010 (April 1, 2010 to March 31, 2011), and policies for FY2011.

We hope we can count on our shareholders and investors for their further support and continued cooperation.

Masaaki Ienaga
Chairman of the Board
(right)

Takao Ando
President, Representative Director
(left)

Interview with the New President

We asked the new president Takao Ando, who was appointed in 2011, about Sanyo Chemical's medium- to long-term vision and its business performance in FY2010.

Q What are your thoughts about the management policies under the new structure?

A I have been given the mission to grow Sanyo Chemical Group into a major corporation both in name and substance. A manufacturer of performance chemicals like Sanyo Chemical Group needs to achieve consolidated net sales of ¥300 billion and an operating income of ¥30 billion to be recognized as a major corporation. To this end, we have set the long-term goal of achieving these figures by FY2020. We have positioned the four years from FY2011 to FY2014 as an important stepping stone toward these goals and the entire Group is working together under the Eighth Medium-Term Management Plan "Challenge 2000 & 200*" to achieve them.

I believe that in order for the Group to address new challenges we must promote globalization, expand sales and profits by concentrating management resources on Strategically Developed Products, and actively promote fundamental organizational reforms aimed at better training and utilization of personnel.

* Challenge 2000 & 200 : This slogan indicates our aspiration to "challenge ourselves to achieve consolidated net sales of ¥200 billion or higher and operating income of ¥20 billion or higher by FY2014." The slogan refers to numerical amounts recorded in units of 100 million.

Q How did Sanyo Chemical Group perform in FY2010?

A In FY2010, recovery of the Japanese economy was gaining momentum on the back of the effects of the economic stimulus measures of countries around the world, and growth in China and other emerging countries. However, the Great East Japan Earthquake in March has changed the future outlook which has suddenly become very uncertain. Operating conditions likewise remained difficult in the chemical industry, with raw material and fuel costs soaring again partly due to the political unrest spreading through North Africa and the Middle East, and concerns about the impact of the appreciation of the yen as well as the major earthquake.

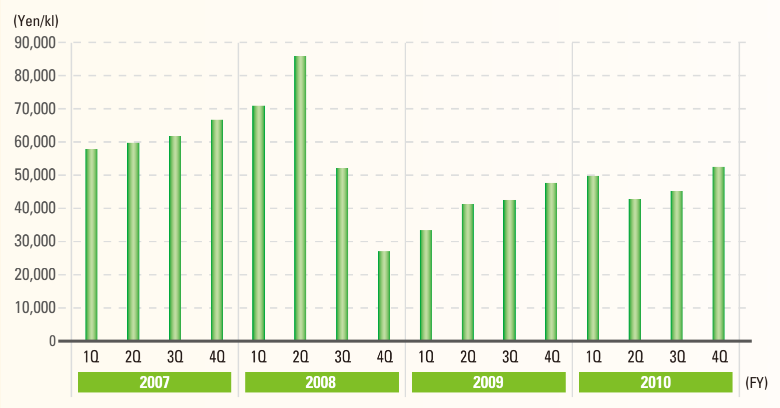
Under these circumstances, Sanyo Chemical Group worked to improve its business performance by promoting globalization while undertaking thorough cost reduction measures and strengthening sales and marketing capabilities.

Consequently, in FY2010 the Group recorded its highest ever net sales of ¥136.0 billion, 14.1% up from the previous fiscal year, due to an increase in sales volume resulting from a recovery in demand.

In terms of profit, there were factors that led to an increase in fixed costs, such as depreciation on Sanyo Chemical's Kinuura Factory which started commercial production in October last year. However, sales increased substantially in all segments, in particular, a global expansion of demand for superabsorbent polymers. As a result, both operating and ordinary income posted substantial increases, of ¥9.6 billion (up 56.4%) and ¥10.5 billion (up 74.9%) from the previous fiscal year, respectively. Due to the damage to some of the facilities of Sanyo Chemical's Kashima Factory caused by the recent major earthquake, we have recorded extraordinary losses of ¥0.37 billion including repair and inspection costs on damaged tangible fixed assets as well as the loss on damaged inventories. However, net income increased substantially, by approximately two times, to ¥5.2 billion, partly because the loss on devaluation of investments in securities recorded in the previous fiscal year (¥0.44 billion) was not incurred in the fiscal year under review.

As a result, net income per share increased to ¥47.22 from ¥23.06 in the previous fiscal year and return on equity (ROE) increased to 6.3% from 3.2% in the previous fiscal year.

Transition of Price of Domestically Produced Naphtha



Q How well is Sanyo Chemical Group recovering from the Great East Japan Earthquake?

A Our Kashima Factory and the Kashima factory of our affiliate San-Petrochemicals Co., Ltd., both located in Kamisu City, Ibaraki Prefecture, Japan suffered damage in the Great East Japan Earthquake that occurred on March 11, and suspended operations temporarily. Fortunately, all of our employees were safe and unharmed.

In order to minimize the impact of the major earthquake, all of the companies in Sanyo Chemical Group have worked together to promote our Business Continuity Plan (BCP) and have made a concerted effort to promptly resume operations in the Kashima Factory and secure supply systems. As a result, we completed restoration of the damaged facilities and safety inspection during March and fully resumed operations from the beginning of April.

Q Could I ask you to 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.

Despite the Great East Japan Earthquake, in FY2010 we achieved a substantial profit increase which was supported by growth in emerging countries and was also due to the success of our thorough cost reduction measures and the strengthening of our sales and marketing capabilities. Therefore, we decided to pay a FY2010 year-end dividend of ¥7.50 per share, the same amount as the FY2010 interim dividend. In FY2011 we also plan to pay an interim dividend and year-end dividend of ¥7.50 per share each (total annual dividend of ¥15.00) to maintain stable dividend payments.

The economic outlook remains increasingly uncertain because of the major earthquake, but we will continue our commitment to enhancing corporate value in order to further increase returns to shareholders.

Q What do you think is the most important management issue for a company?

A For Sanyo Chemical as a company in the manufacturing industry, thorough safety and accident prevention measures are the management issue that should be given top priority. However, an employee of our Kyoto Factory suffered a fatal injury while at work in October 2010. I would once again like to express my deepest condolences, and sympathy to his family. We can assure all shareholders and stakeholders that the entire Group will redouble its safety control efforts so that the same mistake is not repeated and we will take all possible measures to prevent accidents.

Q What plans does Sanyo Chemical Group have for FY2011?

A It is likely that the Japanese economy will continue to perform strongly in response to expanding demand in emerging countries, but the outlook is increasingly uncertain due to such factors as the decline in production activities caused by the Great East Japan Earthquake.

Sanyo Chemical Group will take this situation fully into account, and in order to recover profitability and achieve profit growth, we will develop our business in new fields which are expected to grow, and globally develop our foundational businesses aimed at the rapidly-growing emerging countries.

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, so I hope I can count on our shareholders and investors for their further support and continued cooperation.

"Challenge 2000 & 200"

To become a truly unique and excellent corporate group that operates on a global scale, Sanyo Chemical Group has established the long-term goal of growing into a major corporation 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 (period: FY2011 to FY2014) is positioned as an important stepping stone toward these goals, and under the slogan "Challenge 2000 & 200*" we will endeavor to secure consolidated net sales of ¥200 billion or higher, operating income of ¥20 billion or higher, and return on assets (ROA) of 12% or higher by FY2014, the final fiscal year of the plan.

In order to achieve these targets, all Group companies will work together to promote globalization and concentrate management resources on Strategically Developed Products (Strategic Products**). In addition, steps will be taken to systematically train the global personnel that will form the foundation of our continued growth, and to execute bold organizational reforms in such fields as personnel training in order to boost the abilities of our personnel to the maximum extent possible.

Note that this plan does not reflect the impact of the Great East Japan Earthquake because it was formulated before this major disaster occurred. Therefore, there is a possibility that some of the numerical targets may be revised after the impact of the disaster is taken into account.

* This slogan refers to numerical amounts recorded in units of 100 million.

** Strategic Products: 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 business fields.

Challenging Ourselves to Achieve New Dreams

Actively promoting sales expansion through globalization and the concentration of management resources into Strategic Products, and organizational reforms in such fields as personnel training.

Overview of the Eighth Medium-Term Management Plan

Basic Principles

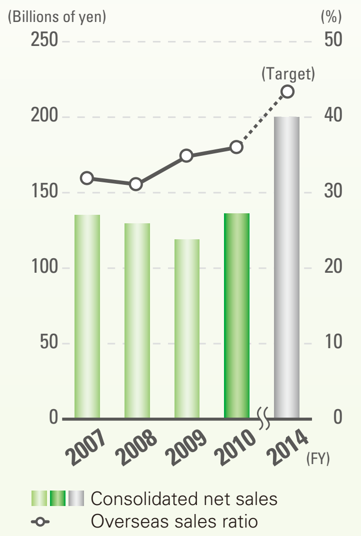
1. Reaffirm the spirit of our Company Motto, ***Let us contribute to building a better society through our corporate activities***, and make it the basis of our policies.
2. All employees will challenge themselves in order to realize "a truly unique and excellent corporate group that operates on a global scale."
3. Promote the evolution of *individual-based management* and aim for "invigoration of people and the organization."
4. In the course of our actions keep compliance and corporate social responsibility in mind.
5. Strive for perfection in safety and for harmony between society and the natural environment.
6. Continue to create innovative technologies by actively conducting R&D activities.

Basic Targets

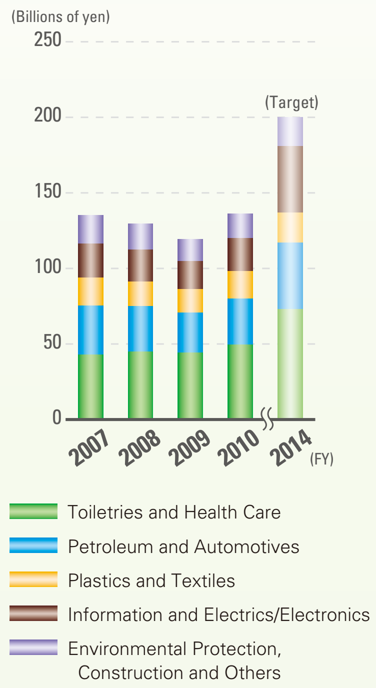
Net Sales Target

Given our aim of achieving consolidated net sales of ¥300 billion by FY2020, we will achieve net sales of ¥200 billion by FY2014, an important stepping stone toward the long-term goal, and aim to expand overseas net sales, primarily in China.

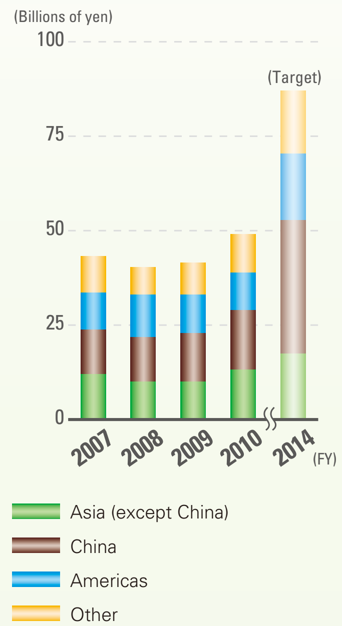
Net Sales Target



Sales Target by Segment



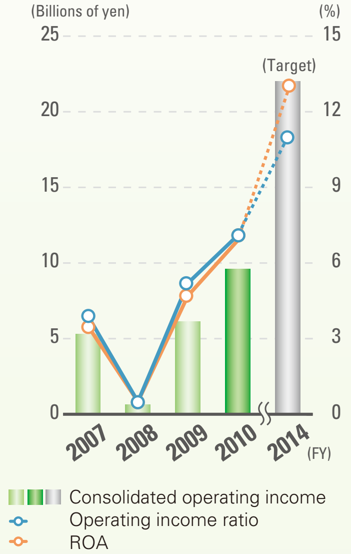
Overseas Sales Target



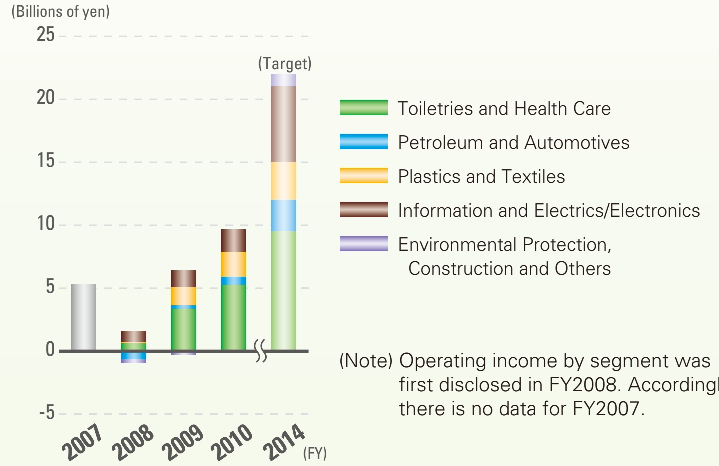
Profitability Target

Through the contribution to profitability of Strategic Products, we will achieve a consolidated operating income of ¥20 billion or higher by FY2014 and ROA of 12% or higher.

Consolidated Operating Income Target



Operating Income Target by Segment



(Note) Operating income by segment was first disclosed in FY2008. Accordingly, there is no data for FY2007.

Net Sales by Strategic Product

Strategic Products newly set in the Eighth Medium-Term Management Plan

Eighteen new items have been added in the Eighth Medium-Term Management Plan. These are comprised of *new growth-driving products*, which refers to items for expanding the business foundation aimed at the global development of existing businesses, and *basic products for expansion*, which means items in new business fields that are expected to grow in the future.

- New growth-driving products... Energy-related agents, agents for electronic components, bio-related agents, etc.
- Basic products for expansion… Superabsorbent polymers raw materials for polyurethane foams, imaging materials, etc.

(Billions of yen)

Category	FY2010	FY2014 (Target)	Change
Strategic Products newly set in the Eighth Medium-Term Management Plan	1.1	39.0	+37.9
New growth-driving products	0.9	9.0	+8.1
Basic products for expansion	0.1	30.0	+29.9
Strategic Products carried over under the Seventh Medium-Term Management Plan	19.1	27.0	+7.9
Total	20.2	66.0	+45.8

Strategic Products carried over from the Seventh Medium-Term Management Plan

There are 11 items that we have carried over from the preceding Seventh Medium-Term Management Plan. Lubricating oil additives, thermoplastic polyurethane beads for the interior parts of automobiles, permanent antistatic agents, etc.

Investment in Plant and Equipment, and R&D Cost

We plan to invest a total of approximately ¥50 billion during the four-year period of the plan and we will steadily increase our spending on R&D every year, investing a total of approximately ¥24 billion during the same four-year period.

Major capital investment items

Expansion of production facilities for superabsorbent polymers .... approximately ¥5 billion
Expansion of production facilities for lubricating oil additives .... approximately ¥3 billion
Expansion of production facilities for raw materials for polyurethane foams .... approximately ¥3 billion
New construction and expansion of production facilities for raw materials for toners........ approximately ¥5 billion
Expansion of general-purpose organic synthesis production facilities........ approximately ¥3 billion

Basic Strategies

1. Facilitate *individual-based management* evolution (training and effective utilization of personnel)

We will build mechanisms that stimulate the motivation of employees, facilitate evolution of the mechanisms adopted as a system under which the dreams of Sanyo Chemical can be shared, reconstruct an environment and systems that utilize people fully, strengthen the independence of all individuals, and draw out their latent abilities.

2. Promoting Sanyo Chemical Group management

(1) Comply with International Financial Reporting Standards (IFRS)
(2) Reform management systems
(3) Promote internal control of non-financial reporting
(4) Strengthen recruitment activities and train global personnel
(5) Implement capital investment accurately within the Group

3. Promoting globalization

(1) Stabilize the profitability of all existing overseas sites, and expand their contribution to the profit of the Group
(2) Improve the overseas net sales ratio
(3) Execute policies to strengthen sales and marketing capabilities in Asia, a growth market
(4) Systematically train global personnel and strengthen globalization promotion structures involving all of the companies in the Group

4. Expanding sales

(1) Ensure a net sales growth rate higher than the world economic growth rate by concentrating our strengths on priority core businesses and growth markets
(2) Target business expansion of the superabsorbent polymer business
(3) Open new marketing sites in the ASEAN region in order to promote globalization and expand the Asia business

5. Improving profitability

(1) Improve the ratio of income to net sales through the launch of Strategic Products newly set in the Eighth Medium-Term Management Plan and sales expansion of the Strategic Products carried over from the Seventh Medium-Term Management Plan
(2) Promote cost reductions
(3) Procure raw materials at the best prices through the promotion of global purchasing
(4) Reduce fixed costs through production innovations and careful selection of capital investment

6. Bolstering research and development capabilities

(1) Increase the ratio of new/improved products* to 40% or higher at an early date
(2) Focus on development of the Strategic Products newly set in the Eighth Medium-Term Management Plan
(3) Improve research efficiency
(4) Improve the ratio of patented products to net sales

*Ratio of new/improved products: the ratio of new or improved product sales that have been introduced to the market in the past five years to total net sales

Toiletries and Health Care

Organization in charge

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

Overview

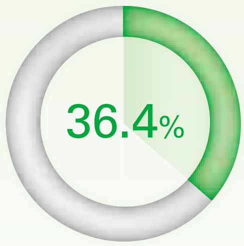
In Toiletries, we market raw materials for detergents and cleaners, as well as surfactants used in toiletry products such as shampoos and hair conditioners. Surfactants have been a core business since the foundation of Sanyo Chemical.

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

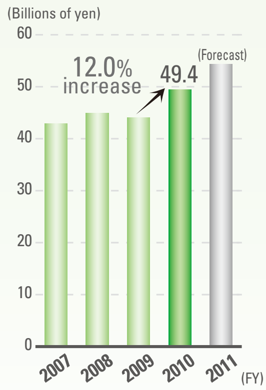
Superabsorbent polymers (SAPs) are the main product of the Health Care business. They are indispensable for the manufacture of disposable diapers, for which demand is growing rapidly worldwide, particularly in the emerging countries.

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 SDP.

Sales Amount Composition Ratio



Net Sales and Forecast



Toiletries

[Review of FY2010]

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 FY2010]

SAPs contributed significantly to our improved business performance, due to abundant shipments mainly to China, where demand is growing rapidly. We have developed and marketed a new product line, SANWET SG, which enables disposable diapers to be made thinner.

[Future plans]

We will double local production capacity in the Chinese market by July 2011, 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

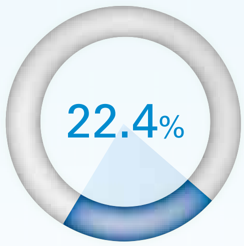
■ Overview

In Petroleum and Automotives, our products are principally sold for automotive applications. They include polypropylene glycol (PPG), a raw material 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.

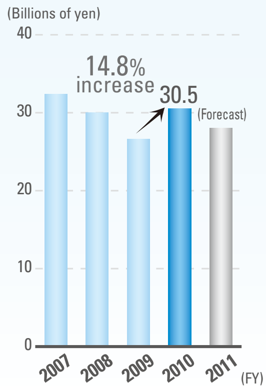
In this business, PPG and TUBs are handled by the Transport Division, and viscosity index improvers are handled by the Petroleum & Environment Division.

Notes: 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.

Sales Amount Composition Ratio



Net Sales and Forecast



Petroleum and Automotives

[Review of FY2010]

Business performance was undermined by the global recession that hit the automotive industry, but things recovered in FY2010 due to the recovery of global automotive production. 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 fuel efficiency. Shipments exceeded the pace of market recovery, making lubricating oil additives one of our most popular products. However, our TUBs for luxury automobiles suffered a 20% dip in sales from the previous fiscal year, partially due to weak market conditions in North America.

[Future plans]

To meet increasing demand for PPG, we began operating a new production line at the Kinuura Factory in Aichi Prefecture in October 2010, after a suspension of construction due to the global recession. We aim to add functional value in these products, and expand sales in Japan and overseas.

Likewise, in lubricating oil additives, which are currently in tight supply, 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.

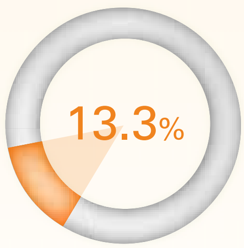
■ Overview

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

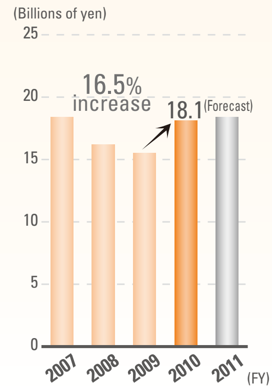
A growth product in recent years has been permanent antistatic agents that prevent malfunctions in electronic components and keep dust out of plastics. They sell on their long period of effectiveness, showing particular growth in overseas markets.

In Textiles, a business that dates right back to the beginnings of the Sanyo Chemical, the principal products we handle are spin finish 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 as textile agents in industrial materials, including production of airbag yarns and seat belts in automaking.

Sales Amount Composition Ratio



Net Sales and Forecast



Plastics

[Review of FY2010]

Permanent antistatic agents are increasingly used in packaging materials for electronic components. Sales of these products increased significantly due to a recovery in demand and growth in overseas markets.

Sales also increased significantly for resin modifiers, supported by a recovery in automotive production.

[Future plans]

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

Textiles

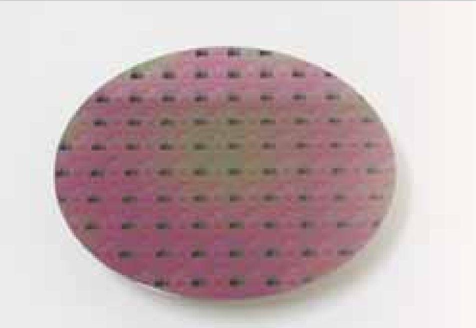
[Review of FY2010]

Sales increased significantly for industrial textile agents used in airbag yarns, and fiberglass agents, due to recovery in the automotive production. Sales of polyurethane resins for synthetic leather also increased while demand for value-added features in textile products increased.

[Future plans]

We plan to enhance our business performance by globally expanding our agents for carbon fibers 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

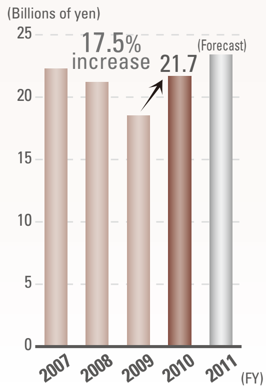
■ Overview

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, as well as silicon wafer processing agents.

Sales Amount Composition Ratio

Net Sales and Forecast



Information

[Review of FY2010]

Product demand was weak in FY2009 when the effects of the global recession were slow to emerge, but sales recovered in FY2010 due to increased demand from manufacturers of copiers sustained by economic recovery.

[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 FY2010]

Sales increased for electrolytes for aluminum electrolytic capacitors, due to a recovery in the home appliance industry, and sales also increased for silicon wafer processing agents on expansion of the photovoltaic cell market, which has attracted much attention recently as a next-generation energy source.

[Future plans]

Starting with resins for flat panel displays (FPDs), a market into which we have made a full-fledged entry, we will focus on silicon wafer processing agents, including processing agents for semiconductors, and on electrolytes for electric double-layer capacitors, which are expected to be widely used in hybrid and electric vehicles.

Environmental Protection, Construction and Others

Organization in charge

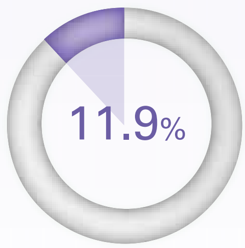
- Petroleum & Environment Division
- Transport Division
- Construction Systems and Materials Intracorporation
- San Chemical Co., Ltd.

Overview

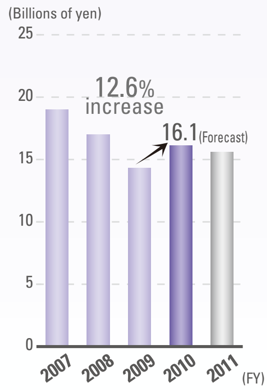
In Environmental Protection, we market polymer flocculants for wastewater treatment, for accelerating industrial wastewater sedimentation, and slurry agents used in underground excavation.

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

Sales Amount Composition Ratio



Net Sales and Forecast



Environmental Protection

[Review of FY2010]

Market conditions remain severe for polymer flocculants for wastewater treatment, due to intensified competition. However, we posted sales growth for cationic monomers (raw materials for polymer flocculants) in overseas markets.

[Future plans]

We expect competition to further intensify in this business. 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 FY2010]

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, despite the slow pace of demand recovery in the civil engineering market in Japan.

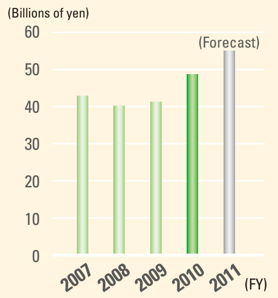
[Future plans]

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

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. During FY2010, sales and profits increased significantly for our production sites in China and Thailand, Sanyo Kasei (Nantong) Co., Ltd. (SKN) and Sanyo Kasei (Thailand) Ltd. At SKN, we began the process of expanding the facilities, which are scheduled to begin operation in October 2011, enabling us to not only expand production capacity of established products but also launch new products to further drive our sales growth in China. Also our sales sites in China, South Korea and Taiwan have increased sales and returned to profitability by working closely with each of the Sanyo Chemical Sales & Marketing divisions. We are further expanding business in continuously growing Asian markets, while investing more heavily in our production sites in North America to expand our facilities and develop new products.

Overseas Sales and Forecast



Purchasing Division

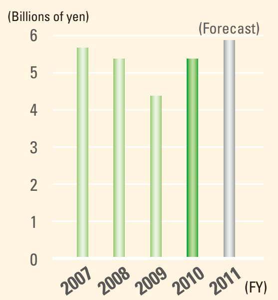
Business activities of the Purchasing Division are rooted in five basic policies: (1) fair and equitable dealings, (2) a global perspective, (3) material quality, pricing and stable supplies, (4) green procurement, and (5) CSR-based procurement. In FY2010, our Purchasing Planning Section continued measures to globalize our sourcing to ensure that we have multiple suppliers of each raw material, to avoid dependence on a single supplier. In order to enhance CSR activities across the entire supply chain, we have subjected our suppliers to CSR assessments. In FY2011, given the upheavals in our operating environment following the Great East Japan Earthquake and the uncertainties surrounding the political situation in the Middle East, we intend to further globalize our procurement, and mobilize the whole Purchasing Division to ensure stable supplies of high quality raw materials at the best prices. At the same time, we will continue to work together with our suppliers to enhance CSR activities across the entire supply chain.

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 the intracorporation initiative is successfully underway, we will 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 FY2011.

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, etc.
Construction Systems and Materials Intracorporation	Civil engineering and construction products that meet the needs of new civil engineering 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, seedbed for rice plants) and applied products	SANFRESH, SANYO SEEDBED SHEET, etc.

Net Sales and Forecast



General Managers' Introduction

Please refer to page 35 for the latest organization chart (as of June 17, 2011)

Sales & Marketing-I

Dr. Takao Ando in charge of Sales & Marketing - I

Toiletry, Detergent & Textile Division

- Toiletries and Health Care
- Plastics and Textiles

Hideya Narutaki
General Manager of Toiletry, Detergent & Textile Division

Resins & Coloring Materials Division

- Plastics and Textiles

Masafumi Kimura
General Manager of Resins & Coloring Materials Division

Transport Division

- Petroleum and Automotives

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

Sales & Marketing-II

Koji Hirose in charge of Sales & Marketing - II

Purchasing Division

Koji Hirose
General Manager of Purchasing Division

International Project Promotion Division

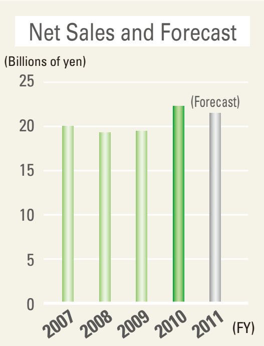
Tatsushi Yano
General Manager of International Project Promotion Division

Sales & Marketing Administration Division

Osamu Watada
General Manager of Sales & Marketing Administration Division

Major Consolidated Subsidiaries

San-Dia Polymers, Ltd.

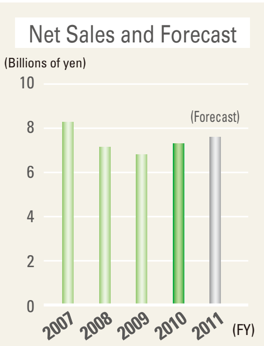


San-Dia Polymers, Ltd. (SDP) is a joint venture comprised of 60% equity participation by SANYO CHEMICAL INDUSTRIES, LTD. and 40% equity participation by Mitsubishi Chemical Corporation. In FY2010, it developed and marketed a new product, the superabsorbent polymer SANWET SG with excellent urine diffusion properties, which enables disposable diapers to be made thinner. In the summer of 2011, a new plant with a capacity of 70,000 tons per year will begin operation in Nantong in China, to enable us to meet strong demand from emerging countries. Process innovation at the new plant is expected to enhance production efficiency. Looking ahead, we are committed to satisfying diversifying customer needs in terms of stable supplies and higher-performing products.

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

Hiroshi Azuma
President

SAN NOPCO LIMITED

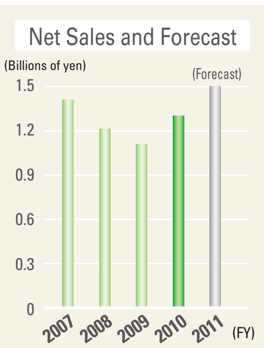


SAN NOPCO LIMITED (SNL), a wholly owned subsidiary of SANYO CHEMICAL INDUSTRIES, LTD., is very competitive in the fields of pulp, paper, paint, and ink. In FY2010, SNL worked to improve profitability by increasing the frequency of customer visits (marketing activities in Japan and overseas), development of new products such as defoaming agents for paints, 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 and research and development activities, to secure high profitability.

Takafumi Horiie
President

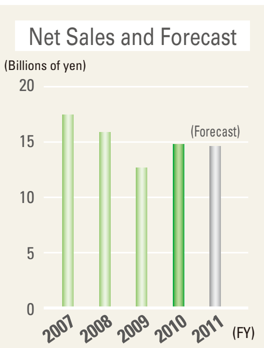
San-Apro Ltd.



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 FY2010, SA launched and expanded sales of new products in its non-antimony based photo-acid generator line. With synthetic organic technology and various application evaluation technologies as its core 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.

Toshihiro Saji
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. Also, AOA products are key materials in the recovery effort in areas hit by the Great East Japan Earthquake. To raise core productivity, SCC has been working on improving production innovation by starting renovation of aging facilities in a three-year plan in partnership with Sanyo Chemical.

Kazuyuki Hirakawa
President

Research and Development

Dr. Fusayoshi Masuda in charge of Research & Development

Our Research and Development Activities

Sanyo Chemical, by blending 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.

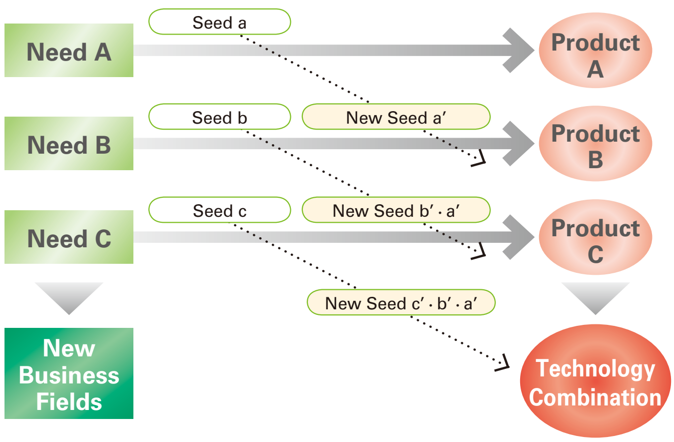
In research and development (R&D), our continued efforts on both the creation of a new product lineup incorporating unique technologies and the upgrading of established products through technological innovation proceed together in a highly coordinated manner. We actively uphold these policies by assigning 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 will utilize Katsura Innovation Park (in Nishikyo-ku, Kyoto) to promote interaction and closer ties with government, academia and industry, 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 blending such "chain-reaction" technologies for different fields, we can develop highly original products in new areas.

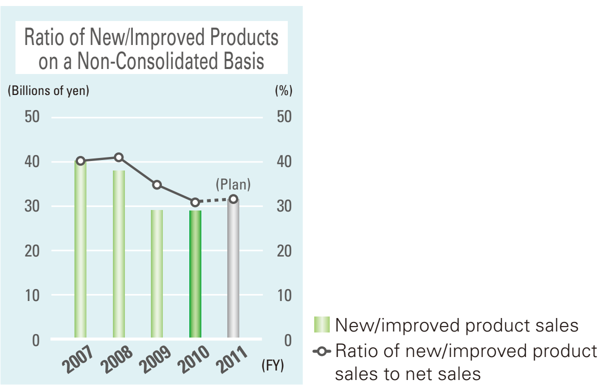
Sanyo Chemical manufactures a wide variety of products while diversifying its technologies through its *NeeSeeds-Oriented* R&D activities.



R&D Index

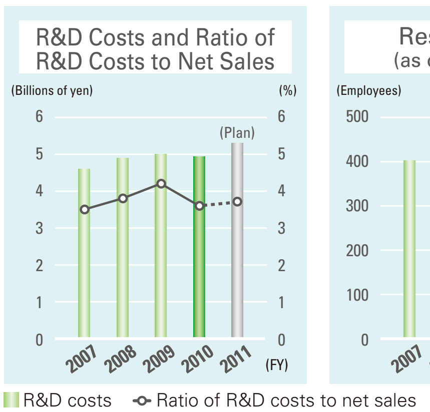
(ratio of new/improved products on a non-consolidated basis)

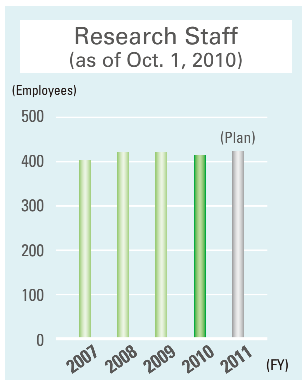
The "ratio of new/improved products" refers to the ratio of new or improved product sales that have been introduced to the market in the past five years to total net sales. This is the most important index for our R&D activities. The ratio of new/improved products was 31.0% in FY2010. We aim for a level above 40%.



R&D Investment

In order to develop unique products while promptly responding to diverse needs, we assigned 414 employees and invested 4.9 billion yen (with a ratio of R&D costs to net sales of 3.6%) in R&D activities in FY2010. We plan to increase investment to enhance our R&D capabilities going forward.



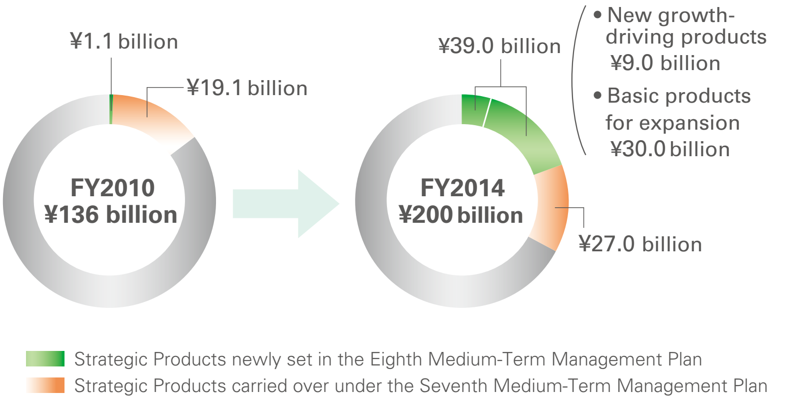


Strategic Products in the Eighth Medium-Term Management Plan for Fast Growth

Strategically Developed Products (Strategic Products) in the Eighth Medium-Term Management Plan starting in FY2011 include the existing Strategic Products under 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 is divided into *basic products for expansion* under our existing global business development program, such as superabsorbent polymers and raw materials for polyurethane foams and toners, and *new growth-driving products* in fields such as battery materials, resins for flat panel displays and surgical sealants. Our aim is to dramatically expand our business by establishing world-class innovative technologies.

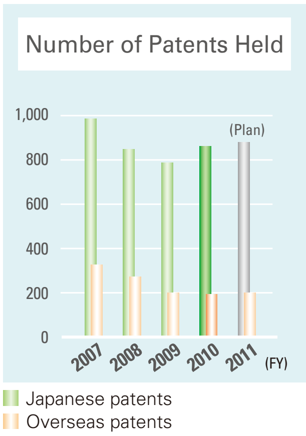
18 items in our new set of Strategic Products in the eighth plan have been selected for commercialization, following concentrated inputs of human resources and funding. We expect these items to generate sales of ¥1.1 billion during FY2010, and target sales of ¥39 billion in FY2014.

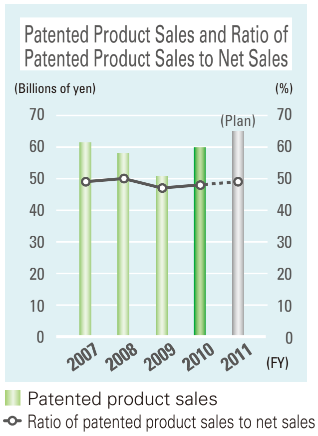


Strategic Accumulation and Utilization of Intellectual Property

By actively claiming patent rights for the innovative technologies that we develop, we are working to raise the competitiveness of our products. Our target is to make an average of 1.2 patent applications per researcher each year, and as a company, we are applying for over 350 patents annually. To improve the quality of our patent applications, we organize an "Invention Fiesta" every year, through which 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.

In addition, we are committed to raising the proportion of total product sales accounted for products under our patents, a ratio we refer to as the "ratio of sales of patented products to total sales." It stood at approximately 48% for FY2010.





Inventor of the Year in FY2010
Shihei Motofuji

Production

Takashi Yoshino in charge of Production

Summary of Production Activities in FY2010

During FY2010, we continued to work to raise awareness within our organization using the key concepts of thoroughness and mutual learning, based on safety and implementation of our compliance program. However, we regret to report that a fatal accident occurred in October 2010 at our Kyoto Factory. In addition to taking measures to prevent a recurrence in order to ensure that such an accident does not happen again, we carried out a comprehensive safety inspection under our zero accident program covering all facilities. As a result, we dealt with areas needing remedial measures and launched revisions of our operating manuals and safety training.

Damage at our Kashima Factory in the Great East Japan Earthquake of March 2011 caused a temporary shutdown of production activities. However, as a result of repair work led by our Business Continuity Task Force, production resumed after approximately three weeks.

To save manpower and ensure minimal hindrance to business operations, the production innovation activities, which began in FY2009, with the creation of specialist task forces, have been extended to 7 years. Under these activities, targets for improving productivity per employee and for lowering the operational break-even point serve as benchmarks. In FY2010, as a result of rigorous implementation of measures to thoroughly eliminate wastefulness, impracticalities and inconsistencies, we have improved productivity per employee by 1.4 times compared with FY2008.

Regarding production facilities, we brought a production line for alkylene oxide adducts (AOAs) into operation at the Kinuura Factory, and built an additional production facility for cleaners for semiconductors at the Kyoto Factory. We also launched construction of new production facilities for lubricating oil additives at the Kashima Factory.

Regarding cost reductions, we gave priority to further stable production and yield improvement for our Strategic Products under the Seventh Medium-Term Management Plan, such as the polyester beads 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 due to 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.

Nagoya Factory

Kinuura Factory

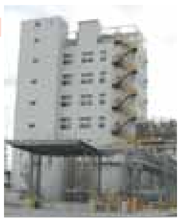
Kashima Factory

Kyoto Factory

Topics FY2010

Launch of Operation of Production Facilities for AOAs at the Kinuura Factory

In August 2007, we launched construction of production facilities for AOAs at the Kinuura Factory, but had to suspend works due to the global recession that started in the autumn of 2008. With the global economy showing signs of recovery, works were resumed in FY2010, and in October that year, operations began at the new facilities. This is our first launch in 34 years of new capacity at a production factory in Japan since the opening of the Kashima Factory in 1976.



AOA Production Facilities

New Production Facility for Cleaners for Semiconductors

To respond to an increase in demand for cleaners for semiconductors, we have added a clean room production facility at the Kyoto Factory. This came into operation in October 2010.

Facility for Cleaners for Semiconductors at the Kyoto Factory

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.

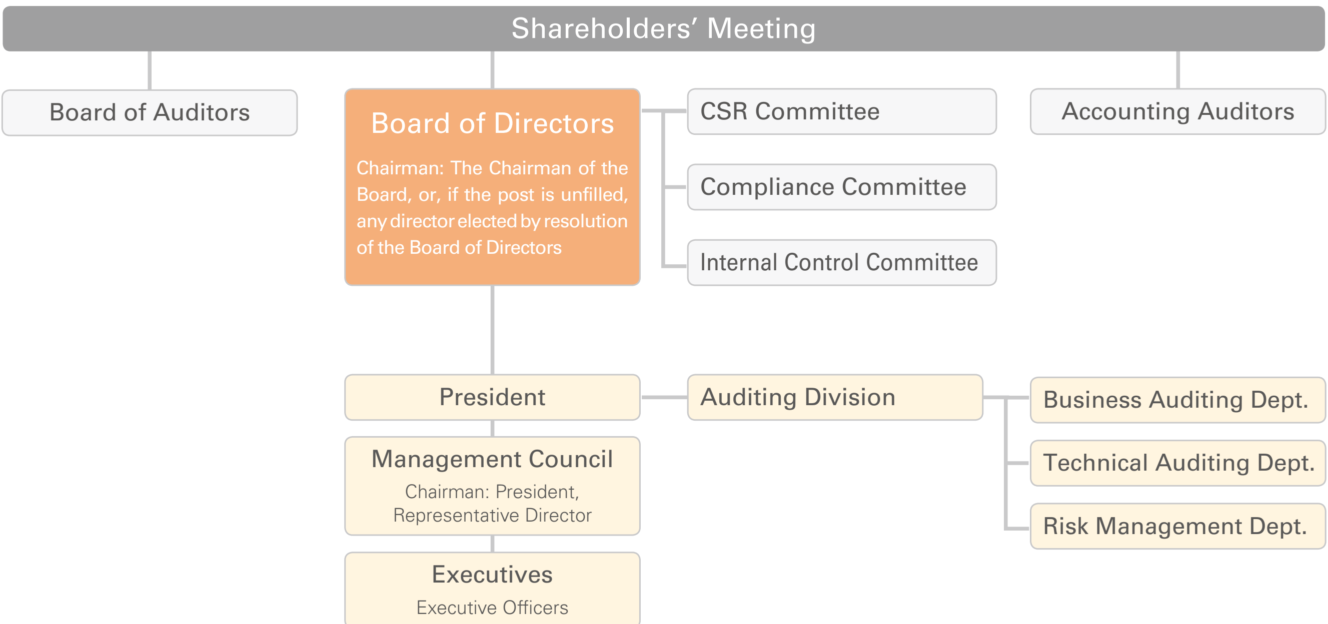
Corporate Governance

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 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. To strengthen our corporate governance, since FY2010, we have placed our CSR Committee, which formerly reported directly to the Management Council, under the Board of Directors. 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 FY2010, we reported the appointment of one outside director and one outside auditor to the Tokyo Stock Exchange Group, Inc.

Sanyo Chemical's Corporate Governance Organization and CSR System (as of June 17, 2011)



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, lays down 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 security systems response manual.

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 an officer 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 regularly once every quarter and whenever otherwise 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 1973 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 an internal certification exam. As regards IT security measures, as well as implementing various regulations, we have introduced a license system by which personnel take tests concerning using information systems and, if successful, are issued licenses.

In addition, we always monitor the formulation, revision, and elimination of laws and regulations, as well as rules that provide the basis for business activities and hold study sessions to keep directors and employees fully informed. In FY2010, we revised our own Code of Corporate Ethics in response to the revision by the Japan Business Federation of its Charter of Corporate Behavior. As part of our enterprise ethics month, we also organized study groups for each department of Sanyo Chemical, with compilation of case studies for fostering basic compliance awareness. 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.

In the event that any question arises in respect to compliance, we resolve it through consultations with the superiors and parties concerned. In the case that there is no way to do so, employees may use an internal hotline or a hotline connecting to an outside law office.

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 in 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 risks incurred are handled 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 conducted a drill after compiling a BCP specifically for the main Nagoya Factory, which has our largest production capacity, assuming an earthquake. After the Great East Japan Earthquake, we rolled out similar measures at the Kashima Factory and ensured early resumption of operations. We also launched a compilation of a BCP for the area around our Head Office and other factories, and are compiling a BCP for an assumed major outbreak of new types of influenza.

*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 damaged by disasters or accidents.

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 at the Board of Directors and publicized in May 2006, has been reviewed as necessary and publicized on each occasion as a Corporate Governance Report.

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 2011, we submitted the FY2010 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 FY2010, we began creating a group (system) to promote the creation, operation and assessment of the internal control system for risk from overseas expansion.

Board of Directors & Auditors

(as of June 17, 2011)

Masaaki Ienaga
Chairman of the Board

Dr. Takao Ando
President, Representative Director

Masaaki Honjo
Representative Director

Koji Hirose
Director

Tatsushi Yano
Director

Takashi Yoshino
Director

Keiyu Horii
Director

Kan Ueno
Director

Isao Hama
Auditor

Go Fusaka
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 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

- 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

- Life Assist
- 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

- 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 Plan (BCP), 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 disaster prevention, occupational safety and health, and chemical and product safety where the results are publicized for transparency.

S-TEC* Environmental Conservation Priority Project

We have formulated the S-TEC21 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 FY2010, we completed the "S-TEC21 TM6" campaign (named for the national Team Minus 6% movement), which mainly targets a reduction in greenhouse gas emissions. In FY2011, we have launched S-TEC25, with a new set of targets. The 25 in S-TEC25 is the number of actions that people in Japan need to undertake in Challenge 25, a national campaign for prevention of greenhouse gas emissions.

* S-TEC: Sanyo Tactics for Eco Challenge

Progress in S-TEC21 TM6 (FY2007-FY2010)

Activities	Sanyo Chemical Objectives by FY2010 End	Sanyo Chemical FY2010 Results	Rating*2
Reduction of greenhouse gas emissions	Reduce the total amount of greenhouse gas emitted from all Japanese business places by 6% from FY1990 level	Consolidated (Japan only): 67% increase from FY1990 level (total increase in production volume from FY1990 level: 100%) • Emissions on consolidated basis (Japan only): 205,000 tons (increased by 10,000 tons from the previous fiscal year) • Non-consolidated basis: 5.7% reduction (99,000 tons) from FY1990 level	C
Energy conservation	Reduce energy intensity (energy consumption per unit of production) by 6.1% from FY2006 level	6.1% reduction from FY2006 level	A
Reduction of chemical substance emissions	Halve consolidated (Japan only) VOC*1 emission amount from FY2006 level	37% reduction from FY2006 level (VOC emissions: 262 tons) (58 tons reduction from the previous fiscal year, reduced by 156 tons from FY2006 level) • Startup of VOC recovery and elimination equipment at the Nagoya and Kyoto factories	B
Zero waste	(1) Reduce final disposal (landfill) waste volume to lower than 0.1% of overall waste volume	(1) Ratio of landfill waste to total waste volume: 0.022%	A
	(2) Target for reduction of industrial waste volume generated per unit of production set at 19% reduction from FY2006 level	(2) 37% reduction from FY2006 level	A
Promotion of C&C (Check & Clean) activities	Voluntarily investigate contamination of groundwater and soil at our factories; take appropriate action if problems are found	A voluntary investigation of contamination of groundwater and soil at our factories was continued, and no problems were found	A

*1 VOC: volatile organic compound *2 Explanation A: Objective achieved B: At least 70% achieved C: Up to 70% achieved

S-TEC25 (Targets for FY2011-FY2014)

Activities	Sanyo Chemical Objectives by FY2014 End
Reduction of greenhouse gas emissions	Reduce the total amount of greenhouse gases*1 emitted by 10% from FY1990 level, by FY2014*2 However, revisions may be made in response to major changes in state policy on greenhouse gases
Energy conservation	Reduce energy intensity (energy consumption per unit of production) by 5.3% from FY2010 level, by FY2014*3
Reduction of VOC emissions	Reduce VOC emissions at Japan plants by 60% from FY2010 level, by FY2014
Zero waste	(1) Ratio of landfill waste to total waste volume: 0.01% or lower (2) Reduce waste volume per unit of production by 15% from FY2010 level, by FY2014
JIPS*4	Collect safety data and evaluate risks regarding chemical substances

*1 Calculations of reductions include reductions achieved through use of Sanyo Chemical products
*2 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
*3 Corresponding to the target of 20% lower than the FY1990 level set by the Japan Chemical Industry Association
*4 Japan Initiative of Product Stewardship: Japan Chemical Industry Association-led initiative to collect and make public information about chemical substance safety

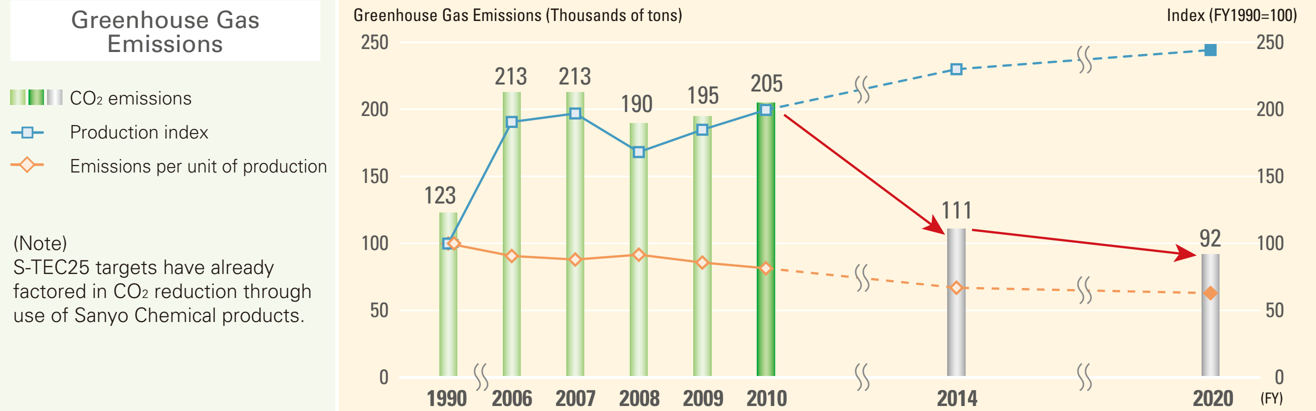
Reduction of Greenhouse Gas Emissions

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 FY2008, as a result of strenuous efforts to promote energy conservation through production innovation, we have contained the increase in net greenhouse gas emission volumes at 5.6%, despite an 18.7% increase in production volume over the same fiscal year.

In the Sanyo Chemical Woodland Project, in which we undertake woodland management through funding and provision of volunteers, the amount of CO_2 effectively absorbed in FY2010 through forestry-thinning activities increased by 59.7 tons.

Greenhouse Gas Emissions



(Note)
S-TEC25 targets have already factored in CO_2 reduction through use of Sanyo Chemical products.

Safety Measures Based on Detailed Accident Analyses

An employee of the Kyoto Factory suffered a fatal injury while at work in October 2010. A committee was immediately established to investigate and clarify the causes of this most serious accident. In addition to formulating preventive measures based on a detailed analysis of all related equipment and facilities incorporating both hard and soft considerations such as physical safety guards and safety documentations, Group-wide safety inspections were conducted and appropriate countermeasures implemented. The Group is recommitting to a policy of strict safety management. While continuing to implement a variety of initiatives including safety education and training, the Group will take all possible measures to prevent accidents.

The Great East Japan Earthquake: Damage to Our Operations and Business Continuity

Our Kashima Factory was damaged in the Great East Japan Earthquake that occurred on March 11, 2011. The factory was unaffected by the tsunami but operations were suspended due to loss of utilities such as electric power and the earthquake damage to some facilities.

Having been developing our Business Continuity Plan (BCP) since 2007, we were able to quickly establish a Business Continuity Task Force to deal with the disaster's aftermath. As a result of the all-out efforts of all companies in the Group to restore operations and resume business activities, we were able to relaunch some facilities at the Kashima Factory two weeks later on March 25. The factory was fully operational again by April 5.

Social Contributions

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.

We extend our cooperation and support to local events and to cleaning factory peripheries. Since our Head Office and Kyoto Factory are located in a residential area, we have also asked four local residents to serve as local monitors. We hold a local monitors' meeting twice a year to facilitate mutual understanding with the local community.

Donation/Disaster Support Activities

Both the Sanyo Chemical Group and individual employees made donations to people and areas affected by the Great East Japan Earthquake to help them recover. SANYO CHEMICAL INDUSTRIES, LTD. also financially supported universities and study institutions, and made donations to the Japanese Committee on Nature Conservation.

In addition, our China subsidiaries Sanyo Kasei (Nantong) Co., Ltd. and San-Dia Polymers (Nantong) Co., Ltd. made donations of 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.

In addition, we team up with schools to arrange Company visits to help junior high and high school students reflect on their future careers and lifestyles, and deepen their motivation to start working.

Likewise, with regard to earthquake-damping works at our Head Office, which was completed in the spring of 2011, we arranged study visits by engineers from China in July 2010, as part of the Japanese government's recovery support for China following the Sichuan Earthquake, and in September 2010 arranged study visits for local residents and representatives of local authorities and emergency services.

Studying Earthquake-Damping Works

Organization Chart, Executives and General Managers

(as of June 17, 2011)

Organization Chart

- Board of Directors
  - President: Dr. Takao Ando
    - CSR Committee
    - Compliance Committee
    - Internal Control Committee
    - Auditing Division: Tadami Ohbayashi
    - Secretarial Dept.
    - Sales & Marketing: Koji Hirose, Senior Managing 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
      - Purchasing Division: Koji Hirose, Senior Managing Executive Officer
      - Sales & Marketing Administration Division: Osamu Watada, Managing Executive Officer
      - International Project Promotion Division: Tatsushi Yano, Managing Executive Officer
    - Intracorporations: Osamu Watada, Managing Executive Officer
    - Research & Development: Takashi Yoshino, Managing Executive Officer
      - Research & Application Division: Kohei Maeda, Executive Officer
      - Research & Development Division: Keiji Tanaka, Executive Officer
      - Research & Administration Division: Takashi Yoshino, Managing Executive Officer
    - Production: Keiyu Horii, Managing Executive Officer
      - Production Division: Keiyu Horii, Managing Executive Officer
      - Production Technology Division: Masao Yamaoka, Executive Officer
      - Production Administration Division: Keiyu Horii, Managing Executive Officer
    - General Affairs: Masaaki Honjo, Executive Vice President
      - General Affairs Division: Toru Onishi, Executive Officer
      - Personnel Division: Minoru Kawai
    - Tokyo Branch Office: Koji Hirose, Senior Managing Executive Officer
    - Osaka Branch Office: Hideya Narutaki, Executive Officer
    - Management Council
      - Committees
- Board of Auditors
  - Internal Control Committee

Executives


Dr. Takao Ando
Executive President


Masaaki Honjo
Executive Vice President


Koji Hirose
Senior Managing Executive Officer


Tatsushi Yano
Managing Executive Officer


Takashi Yoshino
Managing Executive Officer


Keiyu Horii
Managing Executive Officer


Osamu Watada
Managing Executive Officer


Masao Yamaoka
Executive Officer


Hideya Narutaki
Executive Officer


Hiroyuki Tsuruta
Executive Officer


Kohei Maeda
Executive Officer


Toru Onishi
Executive Officer


Shoji Yoshida
Executive Officer


Akiyoshi Kodera
Executive Officer


Shigeaki Takeda
Executive Officer


Masafumi Kimura
Executive Officer


Keiji Tanaka
Executive Officer

Financial Section

Contents

Main Indexes Over a Six-Year Period

(Millions of yen)	FY2010	FY2009	FY2008	FY2007	FY2006	FY2005
For the fiscal year:						
Net sales	**136,026**	119,193	129,555	135,214	122,397	108,413
Japan	**87,036**	77,725	89,200	92,041	84,632	82,678
Overseas*1	**48,990**	41,467	40,355	43,173	37,764	25,734
Cost of sales	**107,876**	95,343	110,882	111,063	97,639	83,884
Selling, general and administrative expenses	**18,534**	17,703	18,032	18,858	18,204	17,331
Operating income	**9,615**	6,146	640	5,293	6,553	7,197
Interest and dividend income	**347**	314	417	450	462	255
Interest expense	**168**	239	303	279	187	86
Ordinary income	**10,527**	6,017	498	5,836	8,024	7,946
Income (loss) before income taxes and minority interests	**9,436**	5,259	(1,915)	4,519	6,471	6,570
Income taxes	**3,050**	1,992	500	2,822	2,687	2,826
Minority interests (loss)	**1,176**	723	(15)	250	732	588
Net income (loss)	**5,209**	2,544	(2,400)	1,446	3,051	3,155
Return (loss) on equity (%)	**6.26**	3.23	(2.97)	1.67	3.47	3.74
Comprehensive income*2	**6,757**	6,665				
Investment in plant and equipment	**11,656**	7,145	10,452	9,946	10,468	11,171
Depreciation and amortization	**8,216**	8,013	8,476	8,483	8,146	6,976
Research and development cost	**4,940**	5,059	4,942	4,682	4,540	4,317
Net cash provided by (used in):						
Operating activities	**11,359**	20,103	7,255	8,987	9,289	9,067
Investing activities	**(9,941)**	(8,651)	(10,430)	(11,055)	(10,643)	(16,844)
Financing activities	**(4,607)**	(2,858)	(1,064)	(1,320)	1,758	8,148
Cash and cash equivalents at the end of the year	**12,044**	15,565	7,031	11,482	15,287	14,405
At fiscal year-end:						
Total assets	**140,817**	136,991	123,901	148,717	153,165	144,263
Long-term debt less current portion	**6,612**	1,991	12,946	14,275	15,138	11,397
Shareholders' equity	**85,272**	81,175	76,465	85,016	88,466	87,322
Shareholders' equity ratio (%)	**60.6**	59.3	61.7	57.2	57.8	60.5
Per share data and others:						
Net income (loss) (yen)	**47.22**	23.06	(21.75)	13.11	27.65	27.95
Cash dividends paid (yen)	**15.00**	13.00	13.00	15.00	15.00	15.00
Net assets (yen)	**773.06**	735.79	693.00	770.38	801.52	790.38
Stock price at the end of period (yen)	**711**	559	461	489	809	1,065
Price earnings ratio (times)	**15.06**	24.24	—	37.30	29.26	38.10
Price book-value ratio (times)	**0.92**	0.76	0.67	0.63	1.01	1.35
Weighted average number of shares (thousands of shares)	**110,316**	110,331	110,347	110,361	110,383	110,359
Employees	**1,766**	1,748	1,742	1,675	1,623	1,555

*1 To present as accurate a picture as possible of overseas sales, we have shifted from a method of presentation effective from FY2006 based on figures from sales divisions responsible for overseas sales, to a system in which sales are recognized as overseas if the final product destination is overseas. In the above chart, figures for FY2005 are based on the older standard.

*2 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 FY2010

Net sales increased by 14.1% from the previous fiscal year to ¥136,026 million, our highest net sales to date, which was attributable to an increase in sales volume resulting from a recovery in demand.

Operating income increased substantially by 56.4% from the previous fiscal year to ¥9,615 million. Although there were factors that caused an increase in fixed costs, such as depreciation and amortization on the Kinuura Factory, which started commercial production in October 2010, these factors were outweighed by the increase in net sales. Net income also increased substantially to ¥5,209 million, twice as much as in the previous fiscal year.

The details are as follows.

Business Environment

During the fiscal year under review, the Japanese economy was on a moderate recovery path on the back of the effects of the economic stimulus measures of countries around the world as well as growth in China and other emerging countries. However, due to the Great East Japan Earthquake in March 2011, the future outlook has suddenly become very uncertain.

Operating conditions likewise remained difficult in the chemical industry, with raw material and fuel costs soaring again, partly due to the political unrest spreading throughout North Africa and the Middle East, as well as concerns about the impact of the appreciation of the yen and the major earthquake.

Under these circumstances, Sanyo Chemical Group worked to improve its business performance by promoting globalization while undertaking thorough cost reduction measures and strengthening sales and marketing capabilities.

Net Sales

Consolidated net sales increased by 14.1% from the previous fiscal year to ¥136,026 million, the highest net sales recorded to date, which was attributable to an increase in sales volume resulting from a recovery in demand.

Net sales by segment (note) were as follows. Net sales increased substantially from the previous fiscal year in all segments.

Net Sales by Segment

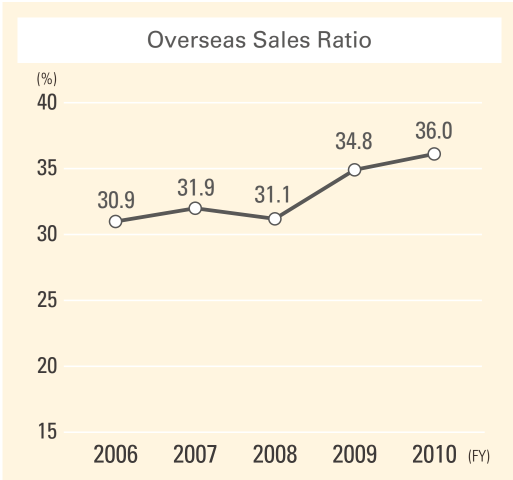
Segment	FY2010		FY2009		Change (%)
	Sales Amount (millions of yen)	Ratio (%)	Sales Amount (millions of yen)	Ratio (%)	
Toiletries and Health Care	49,475	36.4	44,186	37.1	12.0
Petroleum and Automotives	30,535	22.4	26,609	22.3	14.8
Plastics and Textiles	18,113	13.3	15,550	13.1	16.5
Information and Electrics/Electronics	21,744	16.0	18,502	15.5	17.5
Environmental Protection, Construction and Others	16,157	11.9	14,343	12.0	12.6
Total	136,026	100.0	119,193	100.0	14.1

Notes: 1. Effective the year ended March 31, 2011 (FY2010), SANYO CHEMICAL INDUSTRIES, LTD. and its domestic consolidated subsidiaries have adopted the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No.17, March 27, 2009).

2. 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.

In Toiletries and Health Care segment, sales of superabsorbent polymers (SAPs) increased substantially, due to an expansion in global demand for disposable diapers. Sales also increased substantially in Petroleum and Automotives segment due to the growth in sales resulting from the increase in overseas demand. In Information and Electrics/Electronics segment, sales of polyester beads used as a core component of polymerization toners increased substantially in response to the recovery in demand for color toner on the back of the economic recovery.

Overseas sales accounted for 36.0% of total net sales in FY2010, up 1.2 percentage points from the previous fiscal year, due to increased sales in China and other Asian countries.



Cost of Sales and SG&A Expenses

Regarding the cost of sales, although there were factors that caused an increase in fixed costs, such as depreciation and amortization on the Kinuura Factory which started commercial production in October 2010, thorough cost reduction measures were taken. As a result, the ratio of the cost of sales decreased by 0.7 of a percentage point from 80.0% to 79.3%.

Selling, general and administrative (SG&A) expenses increased by ¥830 million, but the growth in net sales was greater than the growth in SG&A expenses, and therefore the ratio of SG&A expenses to net sales decreased 1.2 percentage points to 13.6% from 14.8% in the previous fiscal year.

Research and development (R&D) expenses decreased by ¥118 million from the previous fiscal year, mainly due to the decrease in depreciation and amortization of the Katsura Research Laboratory. The ratio of R&D expenses to net sales decreased 0.6 of a percentage point from the previous fiscal year to 3.6% from 4.2%.

Operating and Net Income

Operating income increased substantially, by 56.4%, to ¥9,615 million. This was attributable to a substantial sales increase in each segment, in particular a global expansion of demand for SAPs, and the effects of ongoing thorough cost reduction measures. The ratio of operating income to net sales increased by 1.9 percentage points to 7.1% from 5.2% in the previous fiscal year.

Due to the damage to some of the facilities of Sanyo Chemical's Kashima Factory caused by the recent major earthquake, we have recorded extraordinary losses of ¥376 million including repair and inspection costs on damaged tangible fixed assets as well as the loss on damaged inventories. However, net income increased substantially, by approximately two times, to ¥5,209 million, partly because the loss on devaluation of investments in securities recorded in the previous fiscal year (¥449 million) was not incurred in the fiscal year under review.

As a result, net income per share was ¥47.22, compared with ¥23.06 in the previous fiscal year.

Investment in Plant and Equipment

Capital expenditures totaled ¥11,656 million on a consolidated basis, and ¥6,423 million on a non-consolidated basis.

Investments by Sanyo Chemical to boost production capacity totaled ¥959 million, while streamlining operations came to ¥1,057 million. We also invested ¥3,670 million in additional SAP production facilities at San-Dia Polymers (Nantong) Co. Ltd. Furthermore, as part of our accident prevention measures we invested ¥732 million in earthquake retrofitting of Sanyo Chemical's head-office building.

To bolster R&D capabilities, companies of the Group invested a total of ¥385 million in R&D facilities. These capital expenditures were financed from internal funds and loans.

Financial Position

Current assets increased by ¥465 million from the previous fiscal year-end to ¥65,329 million. Cash and deposits decreased by ¥3,537 million due to the redemption of convertible bonds (¥7,000 million of the ¥10,000 million in redeemed funds procured with loans) and other factors. However, this was more than offset by increases of ¥2,723 million in notes and accounts receivable-trade because of the increase of net sales, and an increase of ¥833 million in inventories.

Fixed assets increased by ¥3,361 million to ¥75,488 million from the previous fiscal year-end, due to a ¥1,913 million increase in property, plant and equipment and a ¥1,679 million increase in investment securities on the back of rising stock prices, among other factors.

Current liabilities decreased by ¥4,943 million from the previous fiscal year-end to ¥40,288 million, partly due to the redemption of convertible bonds.

Long-term liabilities increased by ¥4,121 million from the previous fiscal year-end to ¥12,136 million, due to a ¥4,620 million increase in long-term debt that resulted from our procurement with loans of ¥7,000 million of the ¥10,000 million in redeemed funds for the convertible bonds.

Working capital, obtained by subtracting current liabilities from current assets, came to ¥25,040 million, and the current ratio was 162.2%.

Net assets increased by ¥4,648 million from the previous fiscal year-end to ¥88,392 million. This increase was mainly attributable to positives such as net income of ¥5,209 million and ¥1,192 million in unrealized gains on other securities, which outweighed negatives including ¥1,654 million in cash dividends paid.

The equity ratio (net assets after deduction of minority interest to total assets) increased by 1.3 percentage points to 60.6% from 59.3% at the previous fiscal year-end. Net assets per share (after deduction of minority interest) also increased by ¥37.27 to ¥773.06 from ¥735.79 as of the end of the previous fiscal year.

Cash Flow

Net cash provided by operating activities came to ¥11,359 million (¥20,103 million for the previous fiscal year).

Inflows of ¥9,436 million in income before income taxes and minority interests, ¥8,247 million in depreciation and amortization expenses outweighed outflows including ¥3,038 million in notes and accounts receivable and ¥1,000 million in inventories.

Net cash used in investing activities totaled ¥9,941 million, compared with ¥8,651 million in the previous fiscal year. This was mainly due to purchases of fixed assets totaling ¥9,415 million.

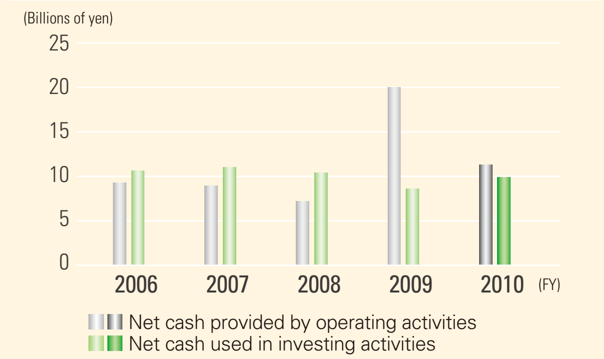
The following graph is a comparison of net cash provided by operating activities and net cash used in investing activities.

Because of the large-scale investments made by the 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, free cash flow turned positive due to the capital investment curbs undertaken to counter the recessionary environment and the dramatic improvements in business performance. In the fiscal year under review, net cash used in investing activities increased, due to the effect of our capital investment required to meet the increasing demand for SAPs. However, business performance was strong and as a result, free cash flow continued to be positive as in the previous fiscal year.

Net cash used in financing activities totaled ¥4,607 million, a significant increase compared with the outflow of ¥2,858 million in the previous fiscal year. Outflows of ¥10,000 million in redemption of convertible bonds and ¥1,653 million in cash dividends paid outweighed inflows including ¥7,943 million in proceeds from long-term debt.

As a result of the above, cash and cash equivalents at the end of FY2010 totaled ¥12,044 million, a decrease of ¥3,521 million from the previous fiscal year-end.

Cash Flow



Business Risks

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

(1) Economic Conditions

Demand for Sanyo Chemical 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) Foreign Exchange Rates

As the Group's businesses develop overseas, there is an increased possibility of foreign 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 foreign exchange rates. A rise in raw material costs arising from increased oil prices could adversely impact the Group's business performance.

(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 major 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. Going forward we plan to implement measures to deal with this kind of problem.

However, in the case of a major earthquake, shutdown of or damage to production facilities could have an adverse impact on the Group's performance.

(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 reasons in regions in which we operate.

Consolidated Balance Sheets

Sanyo Chemical Industries, Ltd. and Consolidated Subsidiaries
As of March 31, 2011 (FY2010) and 2010 (FY2009)

	Millions of yen		Thousands of U.S. dollars (Note 3)
	FY2010	FY2009	FY2010
ASSETS			
Current assets:			
Cash and deposits (Notes 5 and 18)	¥ 12,044	¥ 15,581	$ 144,846
Notes and accounts receivable—trade (Notes 16 and 18)	36,145	33,421	434,696
Inventories (Note 6)	14,996	14,163	180,348
Deferred income taxes (Note 11)	1,386	1,341	16,668
Other current assets	788	385	9,476
Allowance for doubtful accounts	(30)	(29)	(360)
Total current assets	65,329	64,864	785,676
Property, plant and equipment, at cost (Note 8):			
Buildings and structures	34,073	32,481	409,777
Machinery and vehicles	105,059	99,768	1,263,487
Equipment	10,846	11,025	130,438
Land	8,524	8,548	102,513
Construction in progress	5,662	6,389	68,093
	164,166	158,213	1,974,335
Accumulated depreciation	(112,641)	(108,602)	(1,354,672)
Property, plant and equipment, net	51,525	49,611	619,663
Investments and other assets:			
Investments in securities (Notes 7 and 18)	16,889	15,237	203,114
Investments in unconsolidated subsidiaries and affiliates	4,740	4,712	57,005
Long-term loans receivable	3	4	36
Software	561	494	6,746
Goodwill	—	171	—
Deferred income taxes (Note 11)	249	630	2,994
Other	1,563	1,326	18,797
Allowance for doubtful accounts	(44)	(59)	(529)
Total investments and other assets	23,963	22,515	288,190
Total assets (Note 19)	¥140,817	¥136,991	$1,693,529

	Millions of yen		Thousands of U.S. dollars (Note 3)
	FY2010	FY2009	FY2010
LIABILITIES AND NET ASSETS			
Current liabilities:			
Short-term loans (Notes 9 and 18)	¥ 3,318	¥ 3,089	$ 39,903
Current portion of long-term debt (Notes 9 and 18)	3,164	10,950	38,051
Notes and accounts payable—trade (Notes 16 and 18)	22,289	21,727	268,057
Notes payable—other	1,473	1,545	17,714
Accrued expenses	2,840	2,610	34,155
Accrued income taxes (Note 11)	1,517	1,690	18,244
Accrued bonuses to employees	1,606	1,607	19,314
Accrued bonuses to directors and corporate auditors	88	65	1,058
Other current liabilities	3,990	1,946	47,985
Total current liabilities	40,288	45,232	484,521
Long-term liabilities:			
Long-term debt less current portion (Notes 9 and 18)	6,612	1,991	79,518
Deferred income taxes (Note 11)	332	—	3,992
Accrued retirement benefits for employees (Note 10)	3,540	4,299	42,573
Accrued retirement benefits for directors and corporate auditors	745	928	8,959
Other long-term liabilities	905	795	10,883
Total long-term liabilities	12,136	8,015	145,953
Total liabilities	52,425	53,248	630,487
Contingent liabilities (Note 13)			
Net assets:			
Shareholders' equity (Note 12):			
Common stock:			
Authorized: 257,956,000 shares			
Issued: 117,673,760 shares			
at March 31, 2011 and 2010	13,051	13,051	156,957
Capital surplus	12,194	12,194	146,650
Retained earnings (Note 20)	62,571	59,017	752,507
Treasury stock, at cost	(5,694)	(5,682)	(68,478)
Total shareholders' equity	82,122	78,580	987,636
Accumulated other comprehensive income (loss):			
Unrealized gains on other securities (Note 7)	5,136	3,944	61,767
Translation adjustments	(1,986)	(1,349)	(23,884)
Total accumulated other comprehensive income	3,149	2,595	37,871
Minority interests	3,119	2,567	37,510
Total net assets	88,392	83,743	1,063,042
Total liabilities and net assets	¥140,817	¥136,991	$1,693,529

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, 2011 (FY2010) and 2010 (FY2009)

Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars (Note 3)
	FY2010	FY2009	FY2010
Net sales (Notes 16 and 19)	¥136,026	¥119,193	$1,635,911
Cost of sales (Note 16)	107,876	95,343	1,297,366
Gross profit	28,149	23,850	338,532
Selling, general and administrative expenses (Note 14)	18,534	17,703	222,898
Operating income (Note 19)	9,615	6,146	115,634
Other income (expenses):			
Interest and dividend income	347	314	4,173
Interest expense	(168)	(239)	(2,020)
Equity in earnings (loss) of unconsolidated subsidiaries and affiliates	677	(365)	8,141
Rent income of real estate	355	362	4,269
Exchange loss, net	(277)	(4)	(3,331)
Loss on disposal of property, plant and equipment	(509)	(231)	(6,121)
Loss on impairment of tangible fixed assets (Note 8)	(399)	(62)	(4,798)
Loss on devaluation of investments in securities (Note 7)	(3)	(449)	(36)
Loss on disaster (Note 15)	(376)	—	(4,521)
Other, net	174	(210)	2,092
Total other expenses, net	(179)	(886)	(2,152)
Income before income taxes and minority interests	9,436	5,259	113,481
Income taxes (Note 11):			
Current	2,849	2,080	34,263
Deferred	201	(88)	2,417
Total income taxes	3,050	1,992	36,680
Income before minority interests	6,385	3,267	76,788
Minority interests	1,176	723	14,143
Net income	¥ 5,209	¥ 2,544	$ 62,645

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note 3)
	FY2010	FY2009	FY2010
Income before minority interests	¥6,385	¥3,267	$76,788
Other comprehensive income (loss):			
Unrealized gains on other securities	1,192	3,270	14,335
Translation adjustments	(820)	128	(9,861)
Total other comprehensive income	371	3,398	4,461
Comprehensive income	6,757	6,665	81,262
Comprehensive income attributable to:			
Shareholders of the Company	5,763	5,931	69,308
Minority interests	993	733	11,942

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, 2011 (FY2010) and 2010 (FY2009)

	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 March 31, 2009	¥13,051	¥12,194	¥57,686	¥(5,675)	¥ 674	¥(1,466)	¥2,092	¥78,557
Cash dividends paid	—	—	(1,213)	—	—	—	—	(1,213)
Net income	—	—	2,544	—	—	—	—	2,544
Loss on disposition of treasury stock	—	(0)	—	—	—	—	—	(0)
Purchases of treasury stock	—	—	—	(7)	—	—	—	(7)
Disposition of treasury stock	—	—	—	0	—	—	—	0
Net changes in items other than shareholders' equity	—	—	—	—	3,270	117	474	3,862
Balance at March 31, 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 March 31, 2011	¥13,051	¥12,194	¥62,571	¥(5,694)	¥5,136	¥(1,986)	¥3,119	¥88,392

	Thousands of U.S. dollars (Note 3)							
	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 March 31, 2010	$156,957	$146,650	$709,765	$(68,334)	$47,432	$(16,223)	$30,871	$1,007,131
Cash dividends paid	—	—	(19,891)	—	—	—	—	(19,891)
Net income	—	—	62,645	—	—	—	—	62,645
Loss on disposition of treasury stock	—	(0)	—	—	—	—	—	(0)
Purchases of treasury stock	—	—	—	(156)	—	—	—	(156)
Disposition of treasury stock	—	—	—	0	—	—	—	0
Net changes in items other than shareholders' equity	—	—	—	—	14,335	(7,660)	6,638	13,301
Balance at March 31, 2011	$156,957	$146,650	$752,507	$(68,478)	$61,767	$(23,884)	$37,510	$1,063,042

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Sanyo Chemical Industries, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2011 (FY2010) and 2010 (FY2009)

	Millions of yen		Thousands of U.S. dollars (Note 3)
	FY2010	FY2009	FY2010
Operating activities:			
Income before income taxes and minority interests	¥ 9,436	¥ 5,259	$113,481
Depreciation and amortization	8,419	8,222	101,250
Loss on disposal of property, plant and equipment	509	231	6,121
Loss on impairment of tangible fixed assets	399	62	4,798
Loss on disaster	376	—	4,521
(Decrease) increase in accrued bonuses to employees	(0)	394	(0)
Decrease in accrued retirement benefits for employees	(758)	(349)	(9,116)
Interest and dividend income	(347)	(314)	(4,173)
Interest expense	168	239	2,020
Equity in (earnings) loss of unconsolidated subsidiaries and affiliates	(677)	365	(8,141)
Loss on devaluation of investments in securities	3	449	36
Increase in notes and accounts receivable	(3,038)	(4,172)	(36,536)
(Increase) decrease in inventories	(1,000)	177	(12,026)
Increase in notes and accounts payable	933	8,345	11,220
Increase in other liabilities	578	552	6,951
Other, net	(748)	163	(8,995)
Subtotal	14,252	19,627	171,401
Interest and dividend income received	614	449	7,384
Interest expense paid	(164)	(244)	(1,972)
Income taxes (paid) refunded	(3,035)	96	(36,500)
Other, net	(307)	174	(3,692)
Net cash provided by operating activities	11,359	20,103	136,608
Investing activities:			
Purchases of property, plant and equipment	(9,415)	(8,538)	(113,229)
Acquisition of investments in securities	(13)	(37)	(156)
Other, net	(512)	(76)	(6,157)
Net cash used in investing activities	(9,941)	(8,651)	(119,555)
Financing activities:			
Increase (decrease) in short-term loans, net	577	(280)	6,939
Proceeds from long-term debt	7,943	—	95,526
Repayment of long-term debt	(1,021)	(1,099)	(12,279)
Proceeds from disposition of treasury stock	0	0	0
Redemption of convertible bonds	(10,000)	—	(120,264)
Purchase of treasury stock	(13)	(7)	(156)
Cash dividends paid	(1,653)	(1,213)	(19,879)
Cash dividends paid to minority shareholders of consolidated subsidiaries	(441)	(259)	(5,303)
Net cash used in financing activities	(4,607)	(2,858)	(55,405)
Effects of exchange rate changes on cash and cash equivalents	(331)	(58)	(3,980)
Net (decrease) increase in cash and cash equivalents	(3,521)	8,533	(42,345)
Cash and cash equivalents at beginning of the year	15,565	7,031	187,191
Cash and cash equivalents at end of the year (Note 5)	¥12,044	¥15,565	$144,846

See accompanying notes to consolidated financial statements.

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.

Effective the year ended March 31, 2011 (FY2010), the Group has adopted "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standards Board of Japan ("ASBJ") Statement No.25, issued on June 30, 2010) and the Company was required to present the consolidated statement of comprehensive income. In connection with the application of this new standard, the Company presented the consolidated statement of comprehensive income for the year ended March 31, 2010 (FY2009) to conform to the presentation of the consolidated statement of comprehensive income for the year ended March 31, 2011 (FY2010). In addition, the amounts of accumulated other comprehensive income and total accumulated other comprehensive income shown in the consolidated balance sheet as of March 31, 2010 (FY2009) and consolidated statement of changes in net assets for the year then ended had previously been stated as valuation and translation adjustments and total of valuation and translation adjustments shown in the consolidated balance sheet as of March 31, 2010 (FY2009) and consolidated statement of changes in net assets for the year then ended, respectively.

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, 2011 (FY2010) and 2010 (FY2009). The accompanying consolidated financial statements for the years ended March 31, 2011 (FY2010) and 2010 (FY2009) include the accounts of the Company and its 11 subsidiaries, which are listed below:

Name	Country of incorporation	Equity ownership percentage at March 31, 2011	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, 2011 (FY2010) and 2010 (FY2009), 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, 2011 (FY2010) and 2010 (FY2009), 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, 2011 (FY2010) and 2010 (FY2009). The equity method was not applied to the investments in the remaining 4 unconsolidated subsidiaries and 2 affiliates for the years ended March 31, 2011 (FY2010) and 2010 (FY2009) since their total net income and retained earnings were not material.

(2) Foreign Currency Transactions

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. 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 Company and its domestic consolidated subsidiaries have 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 20).

3. U.S. Dollar Amounts

The Company and its domestic consolidated subsidiaries maintain their accounting records in yen. 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 ¥83.15 to U.S. $1, the approximate exchange rate prevailing on March 31, 2011 (FY2010). 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 ¥83.15 to U.S. $1 or at any other rate.

4. Changes in Significant Accounting Policies

(1) Application of Accounting Standard for Asset Retirement Obligations

Effective the year ended March 31, 2011 (FY2010), the Company and its domestic subsidiaries have adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ) Statement No.18, issued on March 31, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, issued on March 31, 2008).

As a result of this adoption, operating income decreased ¥3 million ($36 thousand) and income before income taxes and minority interests decreased by ¥14 million ($168 thousand) for the year ended March 31, 2011 (FY2010).

(2) Application of the revised Accounting Standard for Equity Method of Accounting for Investments

Effective the year ended March 31, 2011 (FY2010), the Company has adopted "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16, issued on March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ Practical Issue Task Force No.24, issued on March 10, 2008).

However, there was no effect on the operating result for the year ended March 31, 2011 (FY2010) as a result of the adoption of this accounting standard.

(3) Accounting Standard on Scope of Subsidiaries and Affiliates for Consolidated Financial Statements

Effective the year ended March 31, 2010 (FY2009), the Company has adopted "Guidance on Determining a Subsidiary and an Affiliate" (ASBJ Guidance No.22, issued on May 13, 2008).

However, there was no effect on the operating result for the year ended March 31, 2010 (FY2009) as a result of the adoption of this accounting standard.

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, 2011 (FY2010) and 2010 (FY2009) and cash and deposits in the consolidated balance sheets as of March 31, 2011 (FY2010) and 2010 (FY2009) is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Cash and deposits	¥12,044	¥15,581	$144,846
Time deposits with deposit terms in excess of 3 months	—	(15)	—
Cash and cash equivalents at end of the year	¥12,044	¥15,565	$144,846

6. Inventories

Inventories as of March 31, 2011 (FY2010) and 2010 (FY2009) are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Finished goods and merchandise	¥ 7,550	¥ 7,495	$ 90,799
Semi-finished goods	3,718	3,166	44,714
Work in process	559	389	6,722
Raw materials, cases and supplies	3,167	3,111	38,087
Total	¥14,996	¥14,163	$180,348

7. Investments in Securities

At March 31, 2011 (FY2010) and 2010 (FY2009), the Group held no trading securities.

Held-to-maturity debt securities for which market value as of March 31, 2011 (FY2010) and 2010 (FY2009) was available are summarized as follows:

	Millions of yen					
	FY2010			FY2009		
	Carrying value	Market value	Unrealized gain	Carrying value	Market value	Unrealized loss
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	¥50	¥0	¥50	¥49	¥(0)

	Thousands of U.S. dollars		
	FY2010		
	Carrying value	Market value	Unrealized gain
Bonds whose market value exceeds their carrying value:			
Corporate bonds	$601	$601	$0
Bonds whose market value does not exceed their carrying value:			
Corporate bonds	—	—	—
Total	$601	$601	$0

Marketable securities classified as other securities as of March 31, 2011 (FY2010) and 2010 (FY2009) are summarized as follows:

	Millions of yen					
	FY2010			FY2009		
	Acquisition cost	Carrying value	Unrealized gain (loss)	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥9,022	¥16,557	¥7,535	¥9,076	¥14,963	¥5,887
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	86	79	(7)	24	21	(3)
Total	¥9,109	¥16,637	¥7,527	¥9,100	¥14,984	¥5,884

	Thousands of U.S. dollars		
	FY2010		
	Acquisition cost	Carrying value	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	$108,502	$199,122	$90,619
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	1,034	950	(84)
Total	$109,549	$200,084	$90,523

Unlisted equity securities of ¥202 million ($2,429 thousand) as of March 31, 2011 (FY2010) and 2010 (FY2009), 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, 2011 (FY2010) and 2010 (FY2009), the Group has recognized loss on impairment of equity securities classified as other securities of ¥3 million ($36 thousand) and ¥449 million, respectively including loss on impairment of marketable equity securities of ¥3 million ($36 thousand) and ¥445 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, 2011 (FY2010) and 2010 (FY2009) are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Proceeds	¥3	¥70	$36
Gross realized gain	1	32	12

8. Loss on Impairment of Tangible Fixed Assets

The Company and its consolidated subsidiaries group their property, plant and equipment primarily based on reporting segments and factories and on product category and factories for the years ended March 31, 2011 (FY2010) and 2010 (FY2009), respectively.

Certain consolidated subsidiaries have recognized loss on impairment of the following classes of tangible fixed assets for the years ended March 31, 2011 (FY2010) and 2010 (FY2009):

			Millions of yen	Thousands of U.S. dollars
Location	Main use	Class	FY2010	FY2010
Texas, U.S.	Facilities related to oil and transportation	Buildings and machinery	¥399	$4,798

			Millions of yen
Location	Main use	Class	FY2009
Pennsylvania, U.S.	Facilities related to machinery and transportation equipment industry	Design cost of facilities (Construction in progress)	¥ 62

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 tangible fixed assets consisted of ¥177 million ($2,128 thousand) for buildings and structures, ¥220 million ($2,645 thousand) for machinery and vehicles and ¥0 million ($0 thousand) 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 2.4%.

For the year ended March 31, 2010 (FY2009), an overseas consolidated subsidiary reduced the carrying value of construction in progress, which consists of design cost of facilities construction, mainly because the plan for facilities construction had been postponed and has not been restarted due to the drop in demand, and it is difficult to convert the above design cost into other facilities construction.

9. Short-Term Loans and Long-Term Debt

The average annual interest rates applicable to short-term loans outstanding are 2.67% and 2.18%, as of March 31, 2011 (FY2010) and 2010 (FY2009), respectively.

Long-term debt as of March 31, 2011 (FY2010) and 2010 (FY2009) is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
0.0% unsecured convertible bonds with stock acquisition rights due 2011	¥ —	¥10,000	$ —
Unsecured long-term loans from banks with annual average interest rates of 1.593% for current portion and 1.412% for non-current portion, due in installments through 2013	9,777	2,942	117,582
Total long-term debt	9,777	12,942	117,582
Less current portion	(3,164)	(10,950)	(38,051)
Total	¥ 6,612	¥ 1,991	$ 79,518

On March 31, 2011, the Company redeemed the convertible bonds of ¥10,000 million ($120,246 thousand).

The aggregate amounts of annual maturities of long-term loans subsequent to March 31, 2011 (FY2010) are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012 (FY2011)	¥3,164	$ 38,051
2013 (FY2012)	3,331	40,060
2014 (FY2013)	2,831	34,046
2015 (FY2014)	225	2,705
2016 (FY2015)	225	2,705
Total	¥9,777	$117,582

In order to better ensure financing, the Company has concluded line of credit agreements with four financial institutions. The status of these lines of credit as of March 31, 2011 (FY2010) and 2010 (FY2009) is as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Line of credit	¥7,000	¥7,000	$84,185
Credit utilized	—	—	—
Available credit	¥7,000	¥7,000	$84,185

10. 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, 2011 (FY2010) and 2010 (FY2009) for the Company and its domestic consolidated subsidiaries' defined benefit pension plan.

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Projected benefit obligation	¥(12,055)	¥(12,546)	$(144,978)
Fair value of plan assets	7,517	7,461	90,402
Unfunded retirement benefit obligation	(4,537)	(5,085)	(54,564)
Unrecognized actuarial loss	1,705	1,574	20,505
Unrecognized prior service cost	(708)	(787)	(8,514)
Accrued retirement benefits for employees	¥ (3,540)	¥ (4,299)	$ (42,573)

The components of retirement benefit expenses for the years ended March 31, 2011 (FY2010) and 2010 (FY2009) are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Service cost	¥706	¥685	$ 8,490
Interest cost	243	256	2,922
Expected return on plan assets	(149)	(141)	(1,791)
Amortization of unrecognized actuarial loss	207	242	2,489
Amortization of unrecognized prior service cost	(79)	(79)	(950)
Retirement benefit expenses	¥928	¥963	$11,160

The assumptions used in accounting for the above pension plan for the years ended March 31, 2011 (FY2010) and 2010 (FY2009) are as follows:

	FY2010	FY2009
Method of attributing benefits to period of service	Straight-line basis	Straight-line basis
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	2.0%	2.0%

11. 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, 2011 (FY2010) and 2010 (FY2009) 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, 2011 (FY2010) and 2010 (FY2009) are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Deferred tax assets:			
Accrued enterprise taxes	¥ 148	¥ 151	$ 1,779
Accrued retirement benefits for employees	1,427	1,733	17,161
Accrued retirement benefits for directors and corporate auditors	303	379	3,644
Accrued bonuses to employees	638	653	7,672
Loss on devaluation of inventories	312	309	3,752
Social insurance premiums of bonuses payable	71	70	853
Loss on devaluation of investments in securities	576	576	6,927
Loss on devaluation of investments in affiliates	641	641	7,708
Valuation loss on capital contribution in affiliates	20	20	240
Loss on impairment of tangible fixed assets	766	261	9,212
Loss carryforwards	666	1,139	8,009
Other	715	620	8,598
Gross deferred tax assets	6,290	6,556	75,646
Valuation allowance	(2,572)	(2,629)	(30,932)
Total deferred tax assets	3,717	3,926	44,702
Deferred tax liabilities:			
Deferred gain on sales of property, plant and equipment	(14)	(15)	(168)
Unrealized gains on other securities	(2,391)	(1,939)	(28,755)
Other	(8)	—	(96)
Total deferred tax liabilities	(2,414)	(1,955)	(29,031)
Net deferred tax assets	¥1,303	¥1,971	$15,670

The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2011 (FY2010) and 2010 (FY2009) differ from the statutory rate for the following reasons:

	FY2010	FY2009
Statutory tax rate	40.3%	40.3%
Non-deductible expenses, including entertainment expenses	0.8	1.2
Non-taxable income, including dividend income	(0.5)	(0.9)
Tax credit	(3.6)	(7.6)
Equity in earnings of unconsolidated subsidiaries and affiliates	(1.1)	(1.0)
Amortization of goodwill	0.7	1.3
Differences between the Japanese statutory tax rate and the overseas consolidated subsidiaries' tax rates	(4.0)	(1.0)
Changes in valuation allowance	(0.4)	4.8
Other	0.1	0.8
Effective tax rates	32.3%	37.9%

12. 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 ($33,373 thousand) as of March 31, 2011 (FY2010) and 2010 (FY2009).

Movements in shares outstanding and treasury stock during the years ended March 31, 2011 (FY2010) and 2010 (FY2009) are as follows:

	Thousands of shares			
	March 31, 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

	Thousands of shares			
	March 31, 2009	Increase in the year	Decrease in the year	March 31, 2010
Shares outstanding:				
Common stock	117,673	—	—	117,673
Total	117,673	—	—	117,673
Treasury stock:				
Common stock	7,335	15	1	7,349
Total	7,335	15	1	7,349

13. Contingent Liabilities

At March 31, 2011 (FY2010) and 2010 (FY2009), contingent liabilities are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Guarantees for:			
Accounts payable of Sunrise Chemical LLC related to fuel gas purchases	¥ 12	¥ 10	$ 144
Long-term debt of Sunrise Chemical LLC	277	465	3,331

14. Selling, General and Administrative Expenses

Major expenses included in selling, general and administrative expenses for the years ended March 31, 2011 (FY2010) and 2010 (FY2009) are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Freight and storage charges	¥ 5,081	¥ 4,642	$ 61,106
Employees' salaries and bonuses	3,408	3,333	40,986
Research and development cost	4,940	5,059	59,410
Other	5,104	4,668	61,383
	¥18,534	¥17,703	$222,898

15. 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 tangible fixed assets of ¥112 million ($1,346 thousand); loss on damaged inventories of ¥125 million ($1,503 thousand) and fixed production overhead costs incurred during a tentative suspension of production activities of ¥139 million ($1,671 thousand).

16. 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, 2011 (FY2010) and 2010 (FY2009) are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Sales of finished goods:			
Toyota Tsusho Corporation	¥ 5,940	¥ 5,695	$ 71,437
Toyotsu Chemiplas Corporation	6,912	6,019	83,126
Purchases of raw materials:			
Toyota Tsusho Corporation	¥15,421	¥12,001	$185,460
Toyotsu Chemiplas Corporation	2,965	2,543	35,658

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, 2011 (FY2010) and 2010 (FY2009) are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Accounts receivable—trade:			
Toyota Tsusho Corporation	¥1,646	¥1,768	$19,795
Toyotsu Chemiplas Corporation	3,200	3,023	38,484
Accounts payable—trade:			
Toyota Tsusho Corporation	¥6,319	¥4,822	$75,995
Toyotsu Chemiplas Corporation	1,152	945	13,854

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, 2011 (FY2010) and 2010 (FY2009).

Toyotsu Chemiplas Corporation, which directly owns 0.01% of the shares of common stock of the Company as of March 31, 2011 (FY2010) and 2010 (FY2009), 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, 2011 (FY2010) and 2010 (FY2009) are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Sales of finished goods:			
Toyota Tsusho Corporation	¥12,770	¥11,529	$153,577
Toyotsu Chemiplas Corporation	349	302	4,197
Purchases of raw materials:			
Toyota Tsusho Corporation	¥ 873	¥ 821	$ 10,499
Toyotsu Chemiplas Corporation	166	89	1,996

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, 2011 (FY2010) and 2010 (FY2009) are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Accounts receivable—trade:			
Toyota Tsusho Corporation	¥2,429	¥2,189	$29,212
Toyotsu Chemiplas Corporation	156	116	1,876
Accounts payable—trade:			
Toyota Tsusho Corporation	¥ 276	¥ 283	$ 3,319
Toyotsu Chemiplas Corporation	45	39	541

17. Amounts per Share

Amounts per share as of March 31, 2011 (FY2010) and 2010 (FY2009) and for the years then ended are as follows:

	Yen		U.S. dollars
	FY2010	FY2009	FY2010
Net assets	¥773.06	¥735.79	$9.29
Net income:			
Basic	47.22	23.06	0.56
Diluted	—	21.35	—
Cash dividends	15.00	13.00	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 is computed based on the net income available for distribution to the shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the conversion of convertible bonds.

Diluted net income per share for the year ended March 31, 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, 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.

18. Financial Instruments

Effective the year ended March 31, 2010 (FY2009), the Group has adopted "Accounting Standard for Financial Instruments" (ASBJ Statement No.10 revised on March 10, 2008) and "Guidance on Disclosure about Fair Value of Financial Instruments" (ASBJ Guidance No.19 revised on March 10, 2008).

(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, 2011(FY2010) and 2010 (FY2009).

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.

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 convertible bonds and long-term loans from banks. Variable interest rate loans are exposed to interest rate volatility risk, but all long-term loans are financed with fixed interest rates. 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, 2011 (FY2010) and 2010 (FY2009) are as follows:

	Millions of yen					
	FY2010			FY2009		
	Carrying value	Fair value	Difference	Carrying value	Fair value	Difference
Assets:						
Cash and deposits	¥12,044	¥12,044	¥—	¥15,581	¥15,581	¥ —
Notes and accounts receivable—trade	36,145	36,145	—	33,421	33,421	—
Investments in securities:						
Held-to-maturity debt securities	50	50	0	50	49	(0)
Other securities	16,637	16,637	—	14,984	14,984	—
Total assets	¥64,876	¥64,876	¥ 0	¥64,038	¥64,037	¥ (0)
Liabilities:						
Short-term loans	¥ 3,318	¥ 3,318	¥—	¥ 3,089	¥ 3,089	¥ —
Current portion of long-term debt:						
Current portion of long-term loans	3,164	3,211	46	950	1,014	64
Convertible bonds	—	—	—	10,000	9,865	(135)
Notes and accounts payable—trade	22,289	22,289	—	21,727	21,727	—
Long-term loans	6,612	6,587	(24)	1,991	1,990	(0)
Total liabilities	¥35,386	¥35,408	¥21	¥37,758	¥37,687	¥ (71)

	Thousands of U.S. dollars		
	FY2010		
	Carrying value	Fair value	Difference
Assets:			
Cash and deposits	$144,846	$144,846	$ —
Notes and accounts receivable—trade	434,696	434,696	—
Investments in securities:			
Held-to-maturity debt securities	601	601	0
Other securities	200,084	200,084	—
Total assets	$780,228	$780,228	$ 0
Liabilities:			
Short-term loans	$ 39,903	$ 39,903	$ —
Current portion of long-term debt:			
Current portion of long-term loans	38,051	38,616	553
Convertible bonds	—	—	—
Notes and accounts payable—trade	268,057	268,057	—
Long-term loans	79,518	79,218	(288)
Total liabilities	$425,568	$425,832	$252

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.

Investments in securities

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 7.

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

Convertible bonds were valued using the market price as of March 31, 2010 (FY2009).

The fair value of long-term debt less current portion represents present value of the total interest and principal amount discounted at interest rates applicable to incremental loans.

Unlisted securities of ¥4,942 million ($59,434 thousand) and ¥4,915 million as of March 31, 2011 (FY2010) and 2010 (FY2009), respectively that do not have market value and for which it is difficult to determine the fair value, are not included in 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, 2011 (FY2010) and 2010 (FY2009) is as follows:

	Millions of yen			
	FY2010		FY2009	
	Due within one year	Due after one year through five years	Due within one year	Due after one year through five years
Deposits	¥12,030	¥—	¥15,530	¥—
Notes and accounts receivable—trade	36,145	—	33,421	—
Investments in securities:				
Held-to-maturity debt securities	—	50	—	50
	¥48,175	¥50	¥48,952	¥50

	Thousands of U.S. dollars	
	FY2010	
	Due within one year	Due after one year through five years
Deposits	$144,678	$ —
Notes and accounts receivable—trade	434,696	—
Investments in securities:		
Held-to-maturity debt securities	—	601
	$579,374	$601

The aggregate amounts of annual maturities of long-term loans subsequent to March 31, 2011 (FY2010) are summarized in Note 9.

19. Segment Information

(1) Segment Information

Effective the year ended March 31, 2011 (FY2010), the Group has adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17 revised on March 27, 2009) and "Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20 issued on March 21, 2008).

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, Oil & Transportation, 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 Oil & Transportation segment is engaged in the manufacture and sales of thermoplastic polyurethane beads (TUB) for the interior parts of automobiles and raw materials for polyurethane foams. 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) Calculating 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, 2011 (FY2010) and 2010 (FY2009) and for the years then ended is as follows:

	Millions of yen							
	FY2010							
	Reporting Segments							
	Toiletries & Health Care	Oil & Transportation	Plastics & Textiles	Information & Electrics/ Electronics	Environmental Protection, Construction & Others	Subtotal	Adjustment	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

	Millions of yen							
	FY2009							
	Reporting Segments							
	Toiletries & Health Care	Oil & Transportation	Plastics & Textiles	Information & Electrics/ Electronics	Environmental Protection, Construction & Others	Subtotal	Adjustment	Total
Segment sales and segment profit (loss):								
Sales to third parties	¥44,186	¥26,609	¥15,550	¥18,502	¥14,343	¥119,193	¥ —	¥119,193
Intersegment sales	—	—	44	—	125	170	(170)	—
Segment sales	44,186	26,609	15,595	18,502	14,469	119,363	(170)	119,193
Segment profit (loss)	¥ 3,366	¥ 258	¥ 1,434	¥ 1,337	¥ (250)	¥ 6,146	¥ —	¥ 6,146
Segment assets	¥26,551	¥21,926	¥18,792	¥21,447	¥13,714	¥102,432	¥34,559	¥136,991
Other items:								
Depreciation	2,065	1,580	1,454	1,920	992	8,013	—	8,013
Amortization of goodwill	58	6	80	15	9	171	—	171
Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	—	—	3,522	—	911	4,433	—	4,433
Increase in tangible and intangible fixed assets	¥ 1,370	¥ 2,286	¥ 1,100	¥ 1,604	¥ 784	¥ 7,145	¥ —	¥ 7,145

	Thousands of U.S. dollars							
	FY2010							
	Reporting Segments							
	Toiletries & Health Care	Oil & Transportation	Plastics & Textiles	Information & Electrics/ Electronics	Environmental Protection, Construction & Others	Subtotal	Adjustment	Total
Segment sales and segment profit (loss):								
Sales to third parties	$595,009	$367,227	$217,835	$261,503	$194,311	$1,635,911	$ —	$1,635,911
Intersegment sales	—	—	336	—	1,972	2,321	(2,321)	—
Segment sales	595,009	367,227	218,171	261,503	196,295	1,638,232	(2,321)	1,635,911
Segment profit (loss)	$ 63,415	$ 7,444	$ 24,064	$ 21,106	$ (408)	$ 115,634	$ —	$ 115,634
Segment assets	$363,860	$268,322	$232,784	$269,933	$162,898	$1,297,835	$395,694	$1,693,529
Other items:								
Depreciation	25,423	21,034	18,508	22,477	11,340	98,809	—	98,809
Amortization of goodwill	697	72	962	180	108	2,056	—	2,056
Investments in unconsolidated subsidiaries and affiliates accounted for by the equity method	—	—	42,104	—	11,533	53,638	—	53,638
Increase in tangible and intangible fixed assets	$ 65,808	$ 21,635	$ 17,943	$ 24,040	$10,727	$ 140,180	$ —	$ 140,180

The adjustments for segment information above and the reconciliations between segment sales and net sales in the consolidated statements of income, and segment assets and total assets in the consolidated balance sheets are as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Segment sales	¥136,219	¥119,363	$1,638,232
Elimination of intersegment sales	(193)	(170)	(2,321)
Net sales in consolidated statements of income	¥136,026	¥119,193	$1,635,911

	Millions of yen		Thousands of U.S. dollars
	FY2010	FY2009	FY2010
Segment assets	¥107,915	¥102,432	$1,297,835
Elimination of intersegment transactions	(68)	(67)	(817)
Corporate assets	32,970	34,626	396,512
Total assets in consolidated balance sheets	¥140,817	¥136,991	$1,693,529

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, 2011 (FY2010) and for the year then ended is as follows:

1) Information by products and services

	Millions of yen					
	FY2010					
	Toiletries & Health Care	Oil & Transportation	Plastics & Textiles	Information & Electrics/ Electronics	Environmental Protection, Construction & Others	Total
Sales to third parties	¥49,475	¥30,535	¥18,113	¥21,744	¥16,157	¥136,026

	Thousands of U.S. dollars					
	FY2010					
	Toiletries & Health Care	Oil & Transportation	Plastics & Textiles	Information & Electrics/ Electronics	Environmental Protection, Construction & Others	Total
Sales to third parties	$595,009	$367,227	$217,835	$261,503	$194,311	$1,635,911

2) Information by region

a. Sales

	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				
	FY2010				
	Japan	U.S.A.	Asia	Other	Total
Sales	$1,046,734	$120,817	$347,179	$121,166	$1,635,911

b. Tangible fixed assets

	Millions of yen				
	FY2010				
	Japan	U.S.A.	China	Other	Total
Tangible fixed assets	¥43,132	¥586	¥7,253	¥552	¥51,525

	Thousands of U.S. dollars				
	FY2010				
	Japan	U.S.A.	China	Other	Total
Tangible fixed assets	$518,725	$7,047	$87,227	$6,638	$619,663

3) Information by principle customers

	Sales value		
Name of customer	Millions of yen	Thousands of U.S. dollars	Related segment
Toyota Tsusho Corporation	¥18,711	$ 225,027	All segments

(3) Loss on impairment of Tangible Fixed Assets by each Reporting Segment

Loss on impairment of tangible fixed assets by each reporting segment for the year ended March 31, 2011 (FY2010) are as follows:

	Millions of yen					
	FY2010					
	Toiletries & Health Care	Oil & Transportation	Plastics & Textiles	Information & Electrics/ Electronics	Environmental Protection, Construction & Others	Total
Loss on impairment of tangible fixed assets	¥—	¥399	¥—	¥—	¥—	¥399

	Thousands of U.S. dollars					
	FY2010					
	Toiletries & Health Care	Oil & Transportation	Plastics & Textiles	Information & Electrics/ Electronics	Environmental Protection, Construction & Others	Total
Loss on impairment of tangible fixed assets	$—	$4,798	$—	$—	$—	$4,798

(4) Amortization of Goodwill by each Reporting Segment

Amortization of goodwill by each reporting segment for the year ended March 31, 2011 (FY2010) is as follows:

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

	Thousands of U.S. dollars					
	FY2010					
	Toiletries & Health Care	Oil & Transportation	Plastics & Textiles	Information & Electrics/ Electronics	Environmental Protection, Construction & Others	Total
Amortization of goodwill	$697	$72	$962	$180	$108	$2,056

(5) Geographic Segments

Geographic segment information as of March 31, 2010 (FY2009) and for the year then ended consists is as follows:

	Millions of yen						
	FY2009						
	Japan	U.S.A.	China	Other	Segment total	Elimination or common assets	Consolidated total
Net sales and operating income (loss):							
Sales to third parties	¥104,324	¥3,620	¥ 9,844	¥1,403	¥119,193	¥ —	¥119,193
Intersegment sales	3,719	0	509	—	4,229	(4,229)	—
Net sales	108,044	3,620	10,354	1,403	123,422	(4,229)	119,193
Total operating expenses	102,861	3,894	9,201	1,420	117,377	(4,330)	113,046
Operating income (loss)	¥ 5,182	¥ (273)	¥ 1,152	¥ (17)	¥ 6,044	¥ 101	¥ 6,146
Total assets:							
Total assets	¥135,138	¥5,518	¥ 8,615	¥1,489	¥150,762	¥(13,770)	¥136,991

(6) Overseas Sales

Overseas sales for the year ended March 31, 2010 (FY2009) are as follows:

	Millions of yen			
	FY2009			
	Asia	America	Other	Total
Overseas sales	¥22,798	¥10,170	¥8,498	¥ 41,467
Consolidated net sales	—	—	—	119,193
Percentage of overseas sales to consolidated net sales	19.1%	8.6%	7.1%	34.8%

20. 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, 2011 (FY2010), was approved by the Board of Directors at a meeting held on May 16, 2011:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥7.50 = $0.09 per share)	¥827	$9,945

Ernst & Young ShinNihon LLC

Report of Independent Auditors

The Board of Directors
Sanyo Chemical Industries, Ltd.

We have audited the accompanying consolidated balance sheets of Sanyo Chemical Industries, Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 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, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translations has been made on the basis described in Note 3.

Ernst & Young ShinNihon LLC

Osaka, Japan
June 10, 2011

A member firm of Ernst & Young Global Limited

Subsidiaries and Affiliates

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	Nantong Jingji Jishu Kaifaqu 7 Xinkai South Road, Jiangsu 226009, China
San-Dia Polymers (Nantong) Co., Ltd.	SDN	2003	Nantong Jingji Jishu Kaifaqu 5 Xinkai South Road, Jiangsu 226009, China
Sanyo Chemical (Shanghai) Trading Co., Ltd.	SCST	2007	Rm. 1611, Ruijin Bldg., 205, Maoming Road (S), Shanghai 200020, China

Affiliates

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

Lines of Business	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 and polyethylene glycols	¥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$21.9 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

Lines of Business	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 in the Nagoya, Kinuura and Kashima factories	¥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, sales of livingware, and rental business	¥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	+81-52-604-1161
	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	
Kinuura Factory	4-43, Nitto-cho, Handa, Aichi 475-0033, Japan	+81-569-23-3455
	The Kinuura Factory produces alkylene oxide adducts (AOAs, raw materials for polyurethane foams, etc.) in October, FY2010. Operation area: approx. 106,000 m^2	
Kashima Factory	11-1, Sunayama, Kamisu, Ibaraki 314-0255, Japan	+81-479-46-3131
	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	
Kyoto Factory	11-721, Honmachi, Higashiyama-ku, Kyoto 605-0981, Japan	+81-75-541-6380
	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	

Corporate Information / History

Corporate Information (as of March 31, 2011)

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	EIA 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, & 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	EIA 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.

Investor Information

Common Stock (as of March 31, 2011)

Authorized	257,956 thousand shares
Issued	117,673 thousand shares
Number of shareholders	8,071

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

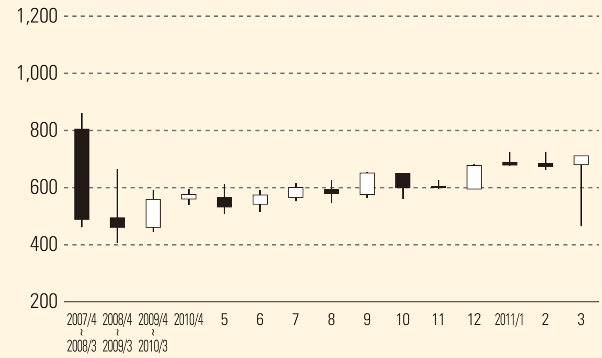
Major Shareholders (as of March 31, 2011)

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
Japan Trustee Services Bank, Ltd. (trust account)	3,921	3.6
Northern Trust Company AVFC Sub-account American Clients	3,549	3.2
Sanyo Chemical Industries Employees' Stockholding Association	2,313	2.1
The Master Trust Bank of Japan, Ltd. (trust account)	1,991	1.8
Mitsui Sumitomo Insurance Co., Ltd.	1,469	1.3
CB London RE Fund 116	1,368	1.2

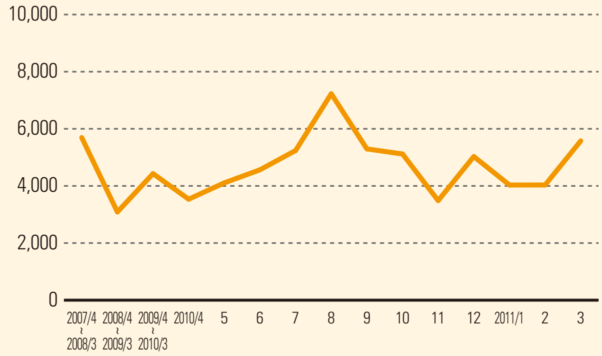
Notes: 1. Treasury stock of 7,368 thousand shares are excluded from the above.
2. Ratio of voting rights is calculated based on the number of issued shares excluding treasury shares.
3. JX Holdings, Inc. is a holding company that was established on April 1, 2010 as a result of the management integration of Nippon Oil Corporation, formerly a major shareholder of Sanyo Chemical, and Nippon Mining Holdings, Inc., through a transfer of the shares of both of these companies. All of the shares of Sanyo Chemical that were held by Nippon Oil Corporation were inherited by JX Holdings, Inc. on July 1, 2010.

Stock Price Range and Trading Volume

Stock Price Range (Yen)

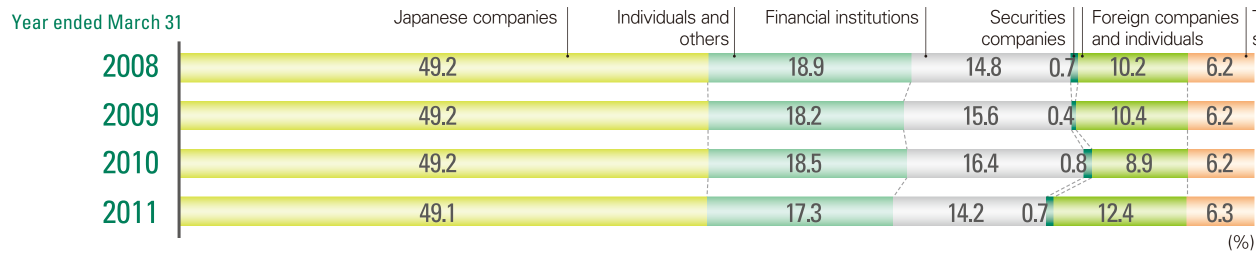


Trading Volume (Thousand shares)



Notes: 1. According to Tokyo Stock Exchange
2. Trading volumes from April 2007 to March 2010 are the average of monthly turnover.

Trend in Ownership Structure (as of March 31, 2011)



Shareholder Information

Fiscal year end	March 31
Year-end dividend record date	March 31
Interim dividend record end	September 30
General shareholders' meeting	June
Transfer agent	The Chuo Mitsui Trust & Banking Co., Ltd. 33-1, Shiba 3-chome, Minato-ku, Tokyo 105-0014, Japan
Main Address	Transfer Agency Department The Chuo Mitsui Trust & Banking Co., 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 the Chuo Mitsui Trust & Banking Co., Ltd. nationwide, and the head office and all branches of Japan Securities Agents, 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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