

## *Challenge 10*

# **A Statement of Accounts**

**For the Fiscal Year Ended March 31, 2009**

**Fiscal Year 2008**

**(FY 2008)**

**Sanyo Chemical Industries, Ltd.**

**President Masaaki Ienaga**

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

**Code:4471**



### <Notice>

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

We have changed accounting standard since this fiscal year,  
therefore described year on year change are reference data.

### <Cautionary Statement with Respect to Forward-Looking Statement>

This presentation material contains projections based on the assumptions, forward-looking statements and plans about the future of Sanyo Chemical Industries, Ltd. as of April 30, 2009. Actual performance results may vary significantly due to a variety of factors affecting the sphere of business that include but are not limited to: the world economy, competitive position, and fluctuations in the exchange rate, raw material costs, and others.

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## Corporate Data

Date of Establishment : November 1, 1949

Head Office : Higashiyama-ku, Kyoto

Domestic Sales & Marketing Offices

: Tokyo, Osaka, Nagoya,  
Hiroshima, Fukuoka, Toyama

Domestic Factories : Nagoya, Kashima, Kyoto, Kawasaki

Number of Consolidated Employees : 1,742

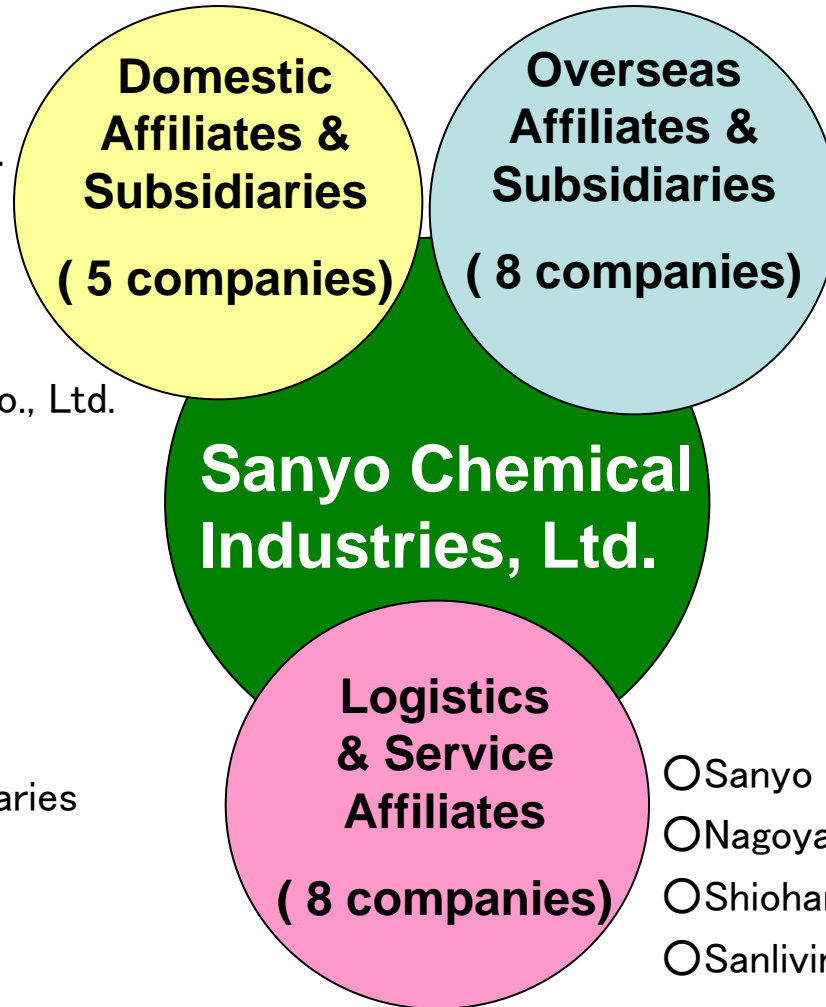
at March 31, 2009

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

# Principal Products

Class.	Sub-category	Principal products
Surfactants	Surfactants for textiles	Agents for textile manufacturing, agents for high-performance textiles
	Industrial Surfactants	Surfactants for hair care products, defoaming agents, dispersants
Polyurethane chemicals	Raw material polyurethane	Polypropylene glycols (PPG)
	Polyurethane resins	Thermoplastic polyurethane beads (TUB) for the interior parts of automobiles, polyurethane resins for gravure inks,
Lipophilic high-molecular agents	Lubricating oils and machining-related products	Viscosity index improvers, base materials for synthetic lubricating oil, machinery processing agents
	Coating and adhesive-related products	UV/EB curing resins, potting resins for artificial kidneys, sizing agents for fiberglass
	Copier-related products	polyester beads (PEB) used as a core component of polymerization toners, toner resins
Hydrophilic high-molecular agents	Water treatment-related products	Polymer flocculants for wastewater treatment
	Superabsorbent polymers	Superabsorbent polymers (SAP)
Specialty products	Resin and polymer modifiers	Permanent antistatic agents, pigment dispersants
	Electric/electronic-related products	Electrolytes for aluminum electrolytic capacitors, electrolytes for electric double-layer capacitors, agents for silicon wafer processing
	Others	Polymers for enhanced oil recovery, civil engineering and construction-related products
Others	—	Diagnostic reagents, chemical boards for design models

# Sanyo Chemical Group



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

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

- Consolidated Subsidiaries
- Affiliates

## Domestic Consolidated Subsidiaries (4 companies)

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

## Overseas Consolidated Subsidiaries (7 companies)

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

## Affiliates (6 companies)

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



# Summary of Results for FY2008 (B/S)

(Billions of Yen)

Balance sheets	Mar. 31, 2009	Mar. 31, 2008	Changed amount	Notes:Change amount
Current assets	52.8	71.0	(18.1)	Decrease of net sales:(9.7), Decrease of inventory:(41), Decrease of cash & equivalents:(4.4)
Fixed assets	71.0	77.7	(6.6)	Loss on devaluation of investments securities:(6.1), Loss on impairment of overseas subsidiaries:(1.1)
<b>Assets</b>	<b>123.9</b>	<b>148.7</b>	<b>(24.8)</b>	
Current liabilities	26.0	39.7	(13.7)	Decrease of purchasing:-(13.6)
Long-term liabilities	19.3	21.4	(2.1)	Decrease of long-term debt of subsidiaries:(1.3)
<b>Liabilities</b>	<b>45.3</b>	<b>61.1</b>	<b>(15.8)</b>	
Shareholder's equity	77.2	81.3	(4.0)	Net loss:-(2.4), Dividend payment:(1.6)
Valuation & translation adjustments	(0.7)	3.6	(4.4)	Diminution of unrealized gain from declined stock price:(3.7), Decrease of translation adjustment:(1.8)
Minority interests	2.0	2.5	(0.4)	
<b>Net assets</b>	<b>78.5</b>	<b>87.5</b>	<b>(8.9)</b>	

# Summary of Results for FY2008 (P/L, CF)

(Billions of Yen)

<b>Income</b>	<b>FY2008</b>	<b>FY2007</b>	<b>Changed amount</b>	<b>Notes:Change amount</b>
Net sales	129.5	135.2	(5.6)	Decrease of demand
Operating income	0.6	5.2	(4.6)	Decrease of sales:(3.9)
Ordinary income	0.4	5.8	(5.3)	Exchange loss:(0.3), Decrease of equity in earnings of unconsolidated affiliates:(0.2)
Net income	(2.4)	1.4	(3.8)	Loss on impairment of overseas subsidiaries:(1.1), Loss on valuation of stocks of affiliate:(0.9)

<b>Cash flows</b>	<b>FY2008</b>	<b>FY2007</b>	<b>Changed amount</b>	<b>Notes:Change amount</b>
Operating activities	7.2	8.9	(1.7)	Decrease of income before income taxes and minority interests: (6.4), operating capital (1.4), payment for income taxes (1.1) Purchases of property, plant & equipment:(1.5) [FY2008:production facilities at the Kinuura Satellite Factory; 2.1], Decrease of acquisition of investments in securities:1.9
Investing activities	(10.4)	(11.0)	0.6	
Free cash flows	(3.1)	(2.0)	(1.1)	
Financing activities	(1.0)	(1.3)	0.2	
Cash & cash equivalents	7.0	11.4	(4.4)	

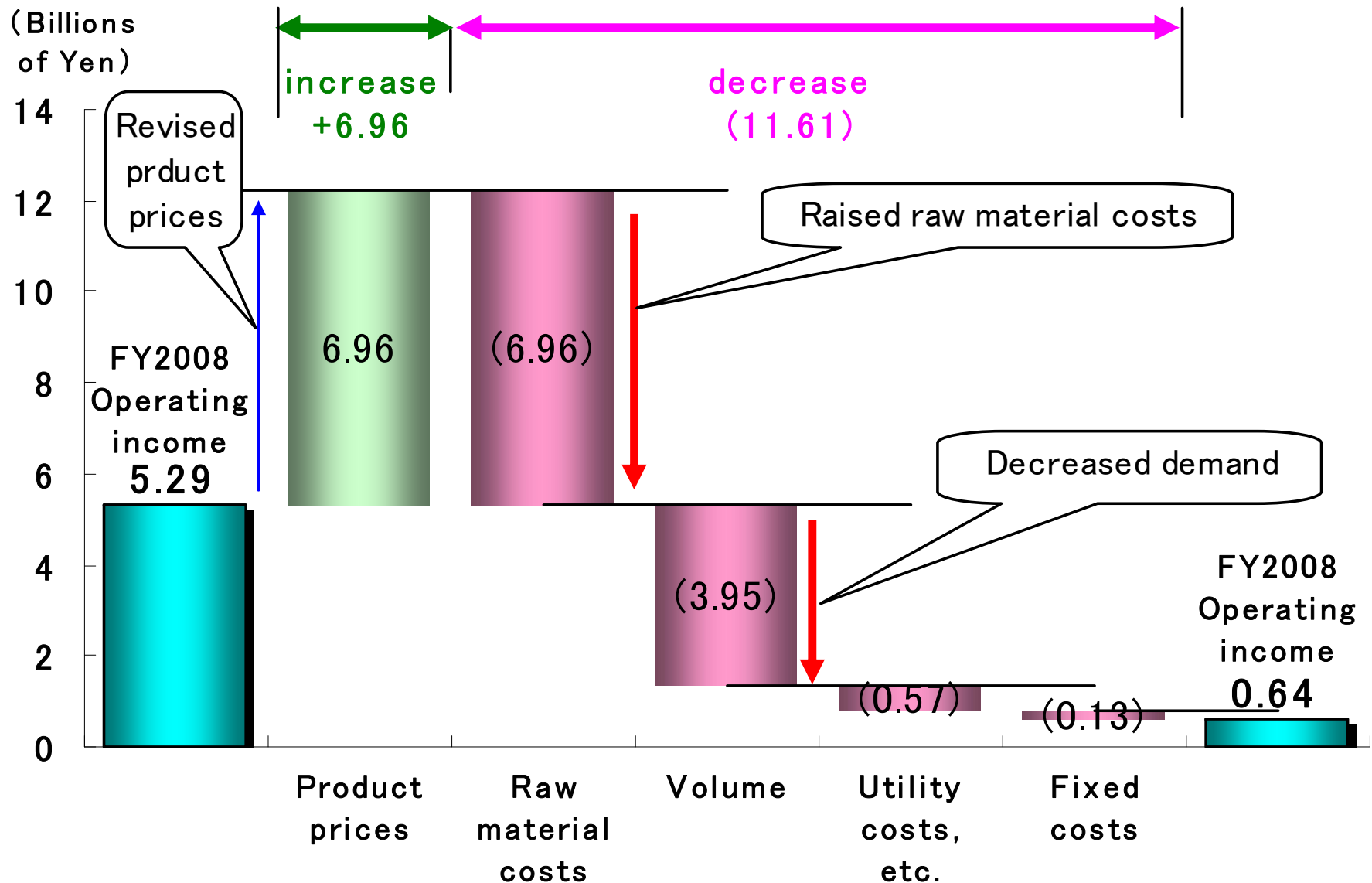
# Consolidated Results of Operations for FY2008

Yen amounts are rounded down. Ratios are rounded off .

(Billions of Yen)

	FY2008	FY2007	Year on year change	
			Amount	Ratio(%)
Net sales	129.55	135.21	(5.65)	(4)
Operating income	0.64	5.29	(4.65)	(88)
Ordinary income	0.49	5.83	(5.33)	(91)
Net income	(2.40)	1.44	(3.84)	—
Net income per share (Yen)	(21.75)	13.11	(34.86)	—

# Analysis of Changed Consolidated Operating Income



# Analysis of Changed Consolidated Income

(Billions of Yen)

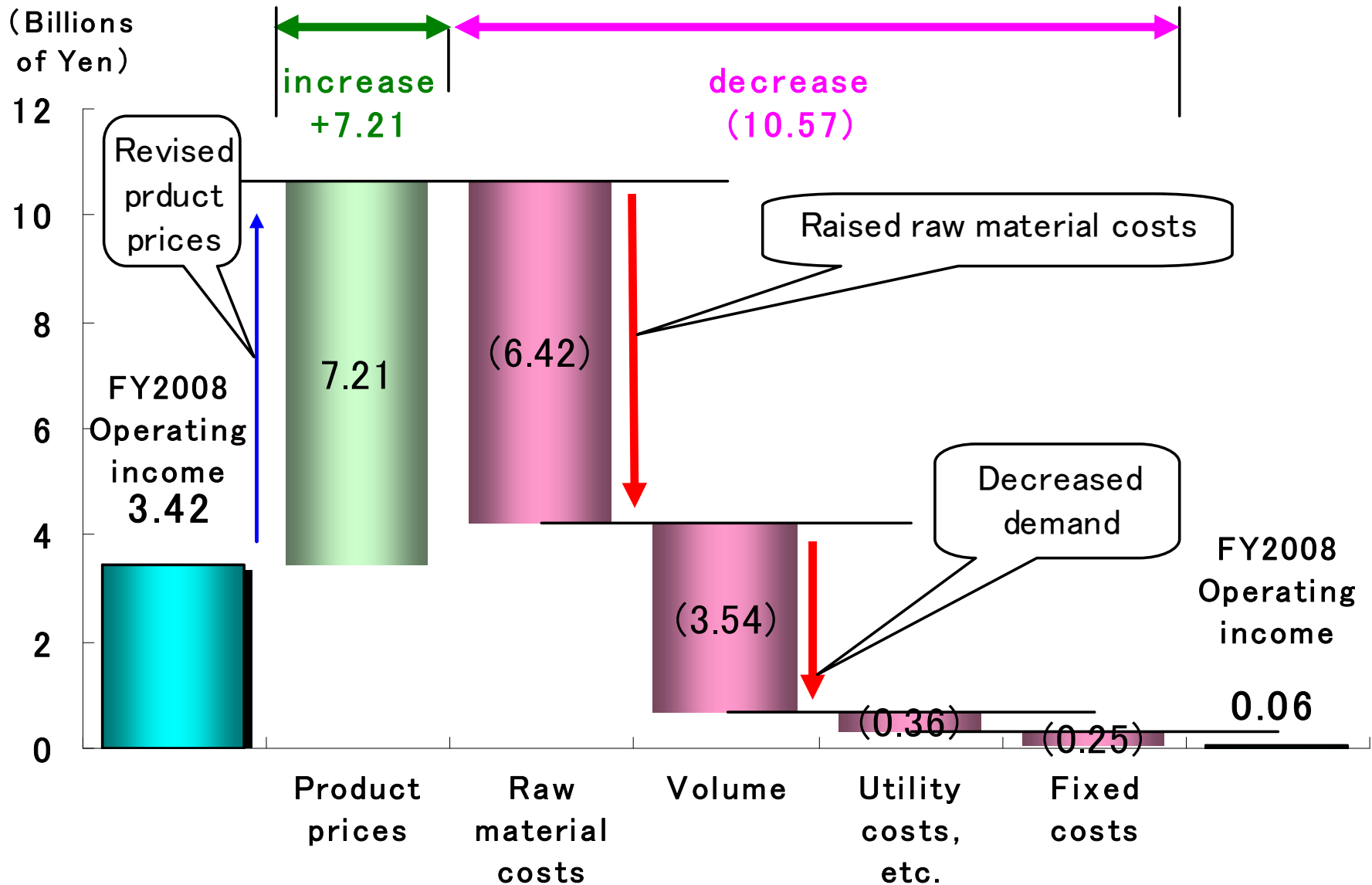
Item	Change amount
Operating income	(4.65)
Equity in earnings of unconsolidated affiliates	(0.30)
Exchange gain and loss	(0.25)
Other income or expenses	(0.13)
Ordinary income	(5.33)
Loss on impairment	(0.93)
Loss on disposal of fixed assets, etc.	0.31
Loss on devaluation of investments in securities	0.48
Loss on valuation of stocks of affiliates	(0.96)
Income before income taxes & minority interests	(6.43)
Income taxes, etc.	2.32
Minority interests	0.23
Net income	(3.84)

# Non-Consolidated Results of Operations for FY2008

(Billions of Yen)

	FY2008	FY2007	Year on year change	
			Amount	Ratio(%)
Net sales	93.02	100.37	(7.35)	(7)
Operating income	0.06	3.42	(3.35)	(98)
Ordinary income	1.60	5.30	(3.69)	(70)
Net income	0.19	1.93	(1.73)	(90)
Net income per share (Yen)	1.77	17.53	(15.76)	(89)

# Analysis of Changed Non-Consolidated Operating Income



# Analysis of Changed Non-Consolidated Income

(Billions of Yen)

Item	Change amount
Operating income	(3.35)
Divident income	(0.46)
Exchange gain and loss	0.35
Other income or expenses	(0.23)
Ordinary income	(3.69)
Loss on disposal of fixed assets, etc.	0.19
Loss on devaluation of investments in securities	0.46
Loss on valuation of stocks of affiliates	(0.43)
Income before income taxes & minority interests	(3.47)
Income taxes, etc.	1.73
Net income	(1.73)



# 11 Consolidated Subsidiaries Results of Operations for FY2008

Internal sales among Sanyo Chemical Group are not eliminated.

(Billions of Yen)

	FY2008	FY2007	Year on year change	
			Amount	Ratio(%)
Net sales	62.46	61.89	0.57	1
Operating income	0.31	1.60	(1.29)	(80)
Ordinary income	(0.20)	1.93	(2.14)	—

# SDP & SDN Results of Operations for FY2008

Internal sales among Sanyo Chemical Group are not eliminated.

(Billions of Yen)

	FY2008	FY2007	Year on year change	
			Amount	Ratio(%)
Net sales	28.15	26.96	1.18	4
Operating income	0.17	0.73	(0.56)	(77)
Ordinary income	(0.32)	0.86	(1.19)	—

# Plan for FY 2009

(Billions of Yen)

Consolidated	1st half(Apr.-Sep.)				Annual			
	FY2009	FY2008	Year on year		FY2009	FY2008	Year on year	
			amount	ratio(%)			amount	ratio(%)
Net sales	50.0	71.0	(21.0)	(30)	108.0	129.5	(21.5)	(17)
Operating income	0.4	1.9	(1.5)	(80)	2.6	0.6	1.9	306
Ordinary income	0.4	2.3	(1.8)	(81)	2.7	0.4	2.2	442
Net income	0.0	1.2	(1.2)	(100)	1.2	(2.4)	3.6	—

(Billions of Yen)

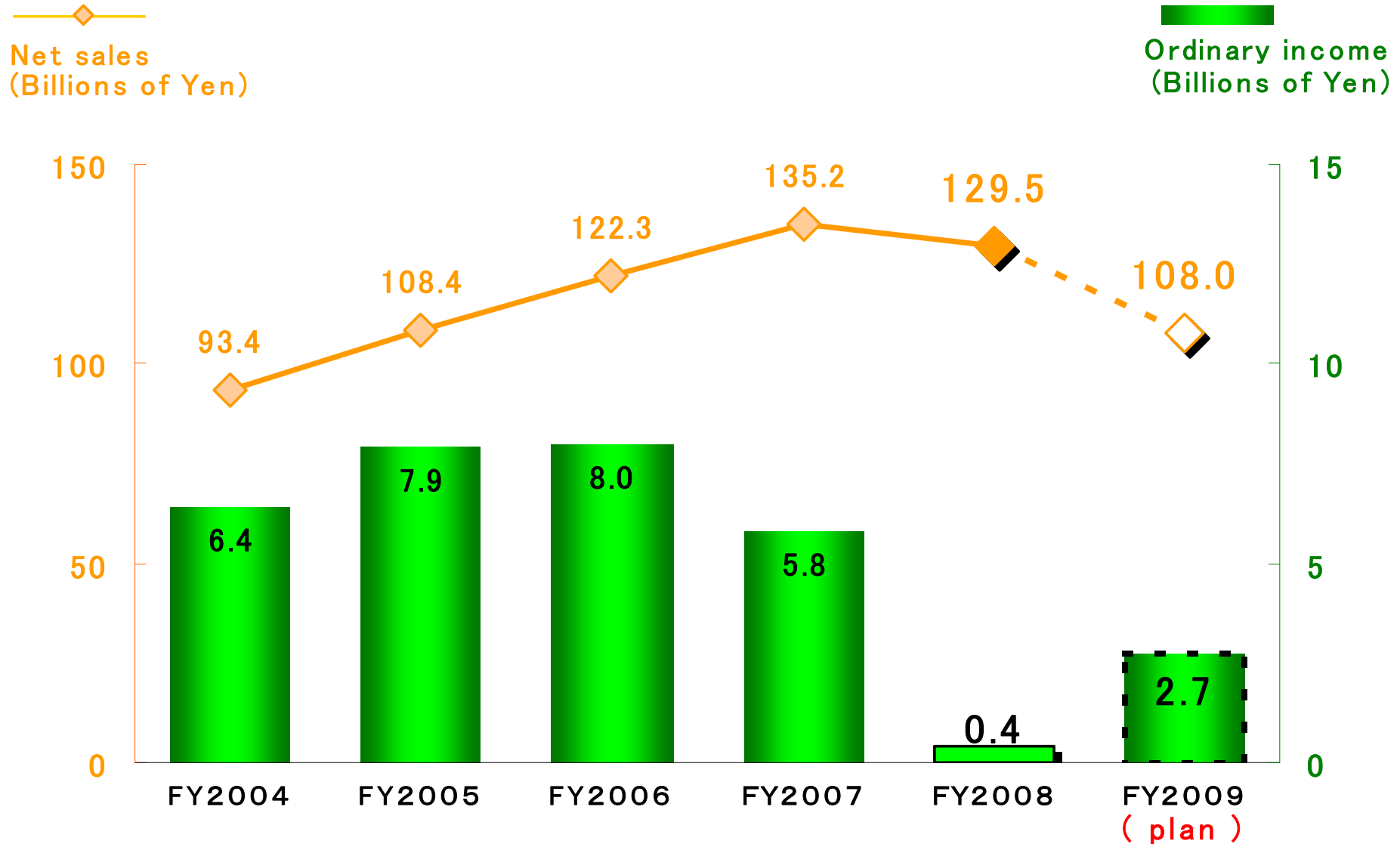
Non-consolidated	1st half(Apr.-Sep.)				Annual			
	FY2009	FY2008	Year on year		FY2009	FY2008	Year on year	
			amount	ratio(%)			amount	ratio(%)
Net sales	34.0	53.0	(19.0)	(36)	74.0	93.0	(19.0)	(20)
Operating income	0.0	1.8	(1.8)	(100)	1.3	0.0	1.2	—
Ordinary income	0.6	2.8	(2.2)	(79)	2.3	1.6	0.6	43
Net income	0.4	1.8	(1.4)	(79)	1.5	0.1	1.3	667

< Prerequisite condition of plan >

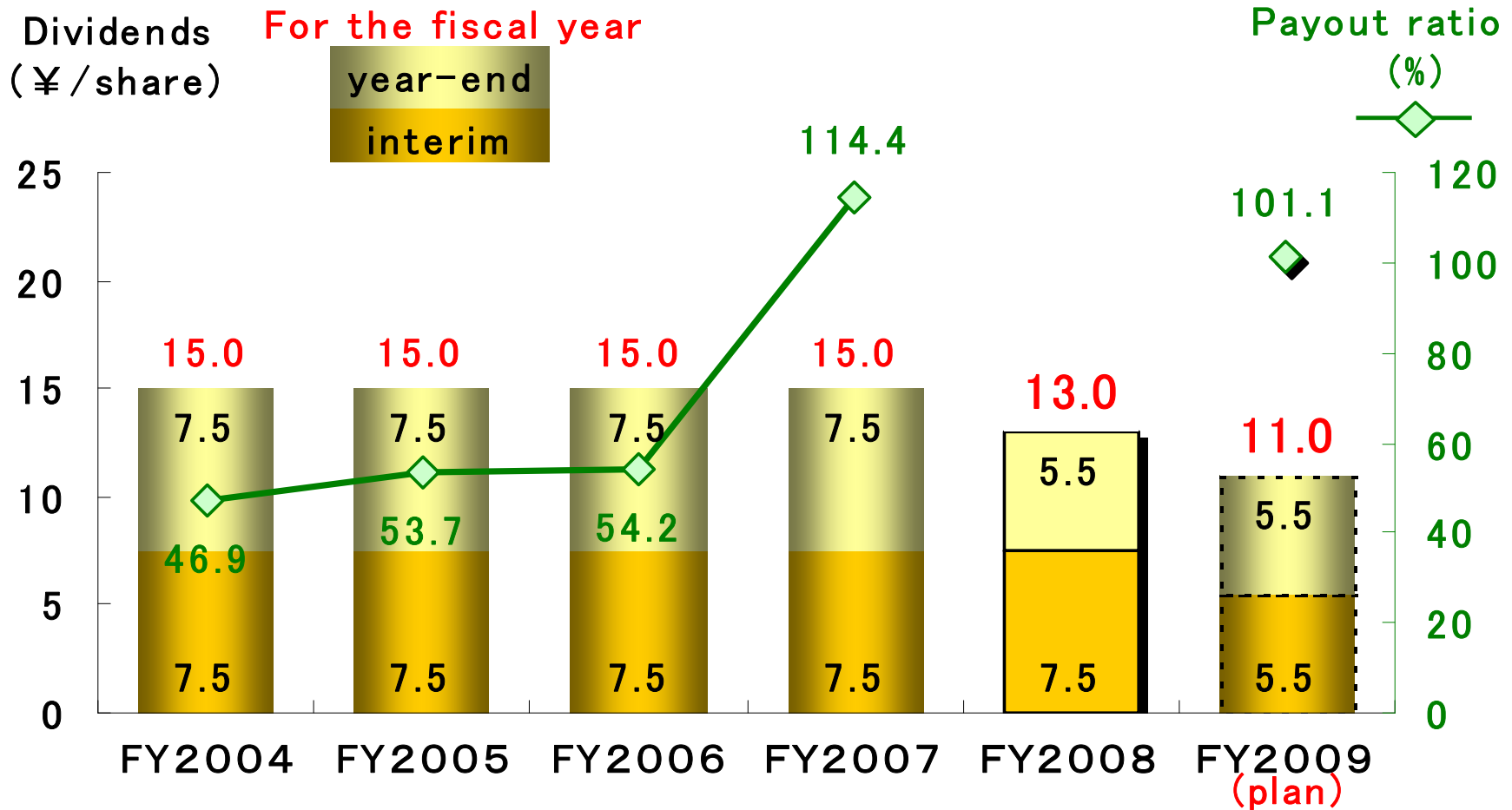
Naphtha price : 30,000 Yen / KL 、 Exchange rate: 90 Yen / \$

*Challenge 10*

# Consolidated Business Result Trend



# Dividends Per Share & Payout Ratio (Consolidated)



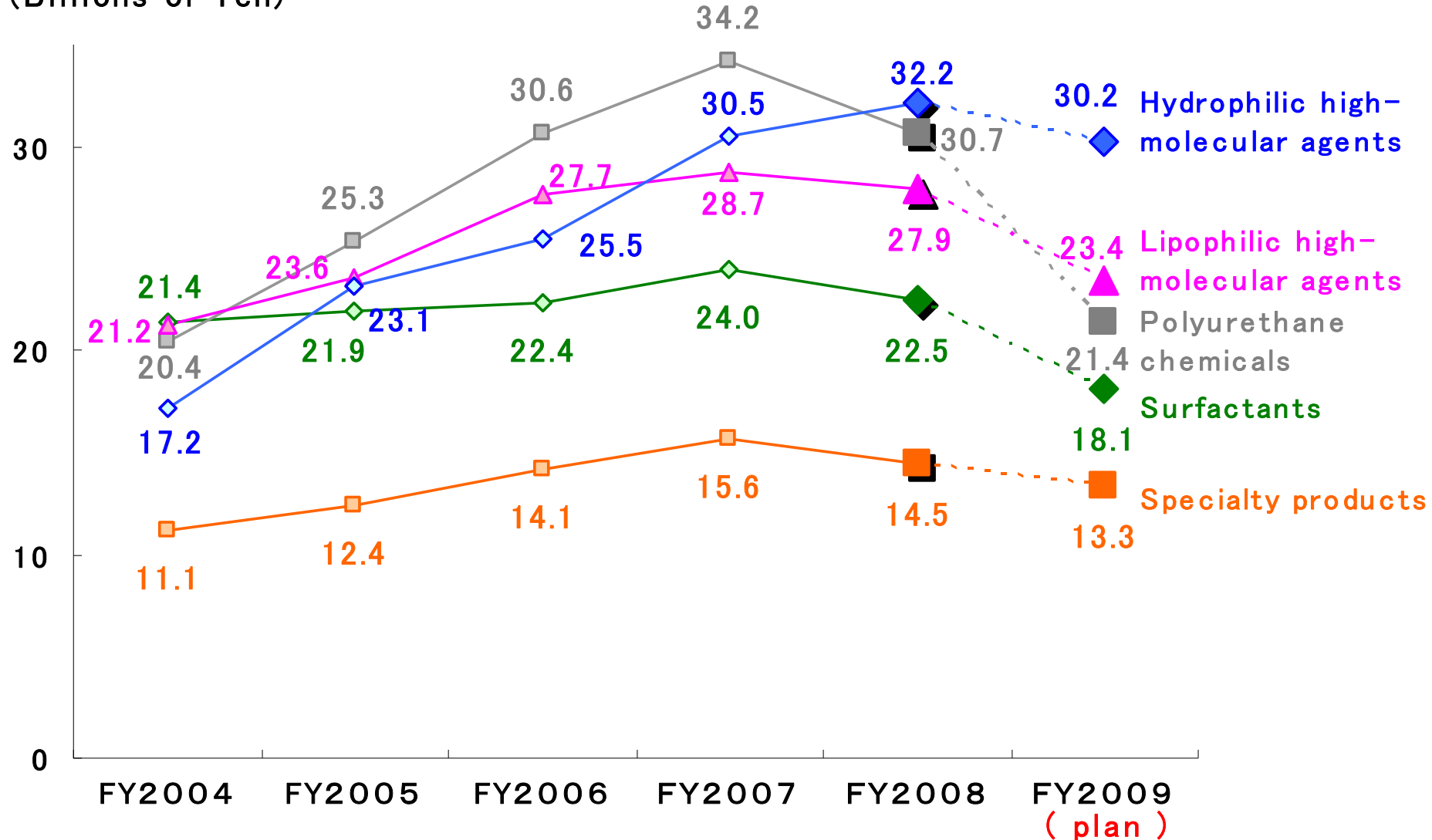
# Consolidated Net Sales by Product Group

(Billions of Yen)

Product group	FY2008 Result	FY2007 Result	Change: year on year		FY2009 Plan	Change ratio(%)
			Amount	Ratio(%)		
<b>Surfactants</b>	<b>22.5</b>	<b>24.0</b>	<b>(1.4)</b>	<b>(6)</b>	<b>18.1</b>	<b>(20)</b>
Industrial surfactants	19.0	19.8	(0.8)	(4)	15.5	(19)
Surfactant for textile	3.5	4.1	(0.6)	(15)	2.5	(27)
<b>Polyurethane chemicals</b>	<b>30.7</b>	<b>34.2</b>	<b>(3.5)</b>	<b>(10)</b>	<b>21.4</b>	<b>(30)</b>
Raw materials for polyurethane	20.6	23.4	(2.8)	(12)	14.5	(29)
Polyurethane resins	10.1	10.8	(0.6)	(6)	6.9	(32)
<b>Lipophilic high-molecular agents</b>	<b>27.9</b>	<b>28.7</b>	<b>(0.8)</b>	<b>(3)</b>	<b>23.4</b>	<b>(16)</b>
Copier-related products	13.2	13.9	(0.6)	(5)	13.4	1
Lubricating oil & machine-related products	10.3	10.6	(0.2)	(2)	6.5	(37)
Coating & adhesive-related products	4.2	4.1	0.1	3	3.4	(18)
<b>Hydrophilic high-molecular agents</b>	<b>32.2</b>	<b>30.5</b>	<b>1.6</b>	<b>5</b>	<b>30.2</b>	<b>(6)</b>
Superabsorbent polymers	28.7	27.2	1.4	5	26.8	(6)
Water treatment products	3.4	3.3	0.1	6	3.3	(3)
<b>Specialty products</b>	<b>14.5</b>	<b>15.6</b>	<b>(1.0)</b>	<b>(7)</b>	<b>13.3</b>	<b>(9)</b>
Resin & polymer modifiers	5.3	6.3	(0.9)	(15)	4.0	(24)
Electric/electronic-related products	5.6	5.2	0.3	7	6.3	13
Others	3.6	4.0	(0.4)	(11)	2.9	(20)
<b>Others</b>	<b>1.4</b>	<b>1.9</b>	<b>(0.4)</b>	<b>(24)</b>	<b>1.3</b>	<b>(8)</b>
<b>Total</b>	<b>129.5</b>	<b>135.2</b>	<b>(5.6)</b>	<b>(4)</b>	<b>108.0</b>	<b>(17)</b>

# Consolidated Net Sale Trend by Product Group

(Billions of Yen)



# Consolidated Operating Income by Product Group

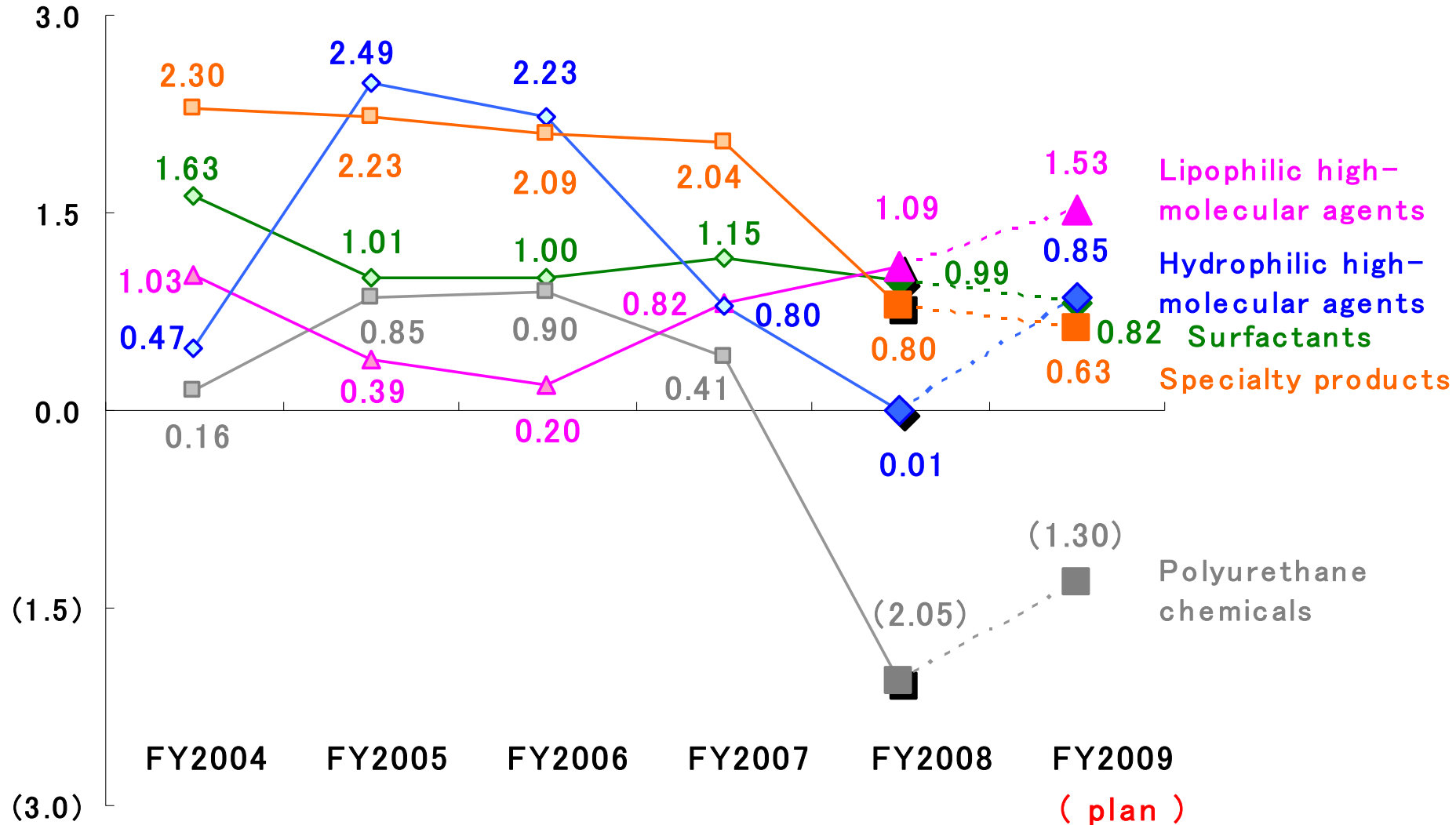
(Billions of Yen)

Product group	FY2008	FY2007	Change: <small>year on year</small>		FY2009	Change ratio(%)
	Result	Result	Amount	Ratio(%)	Plan	
Surfactants	0.9	1.1	(0.1)	(14)	0.8	(17)
Polyurethane chemicals	(2.0)	0.4	(2.4)	—	(1.3)	—
Lipophilic high-molecular agents	1.0	0.8	0.2	32	1.5	40
Hydrophilic high-molecular agents	0.0	0.8	(0.7)	(98)	0.8	—
Specialty products	0.8	2.0	(1.2)	(60)	0.6	(21)
Others	(0.2)	0.0	(0.2)	—	0.0	—
<b>Total</b>	<b>0.6</b>	<b>5.2</b>	<b>(4.6)</b>	<b>(88)</b>	<b>2.6</b>	<b>306</b>

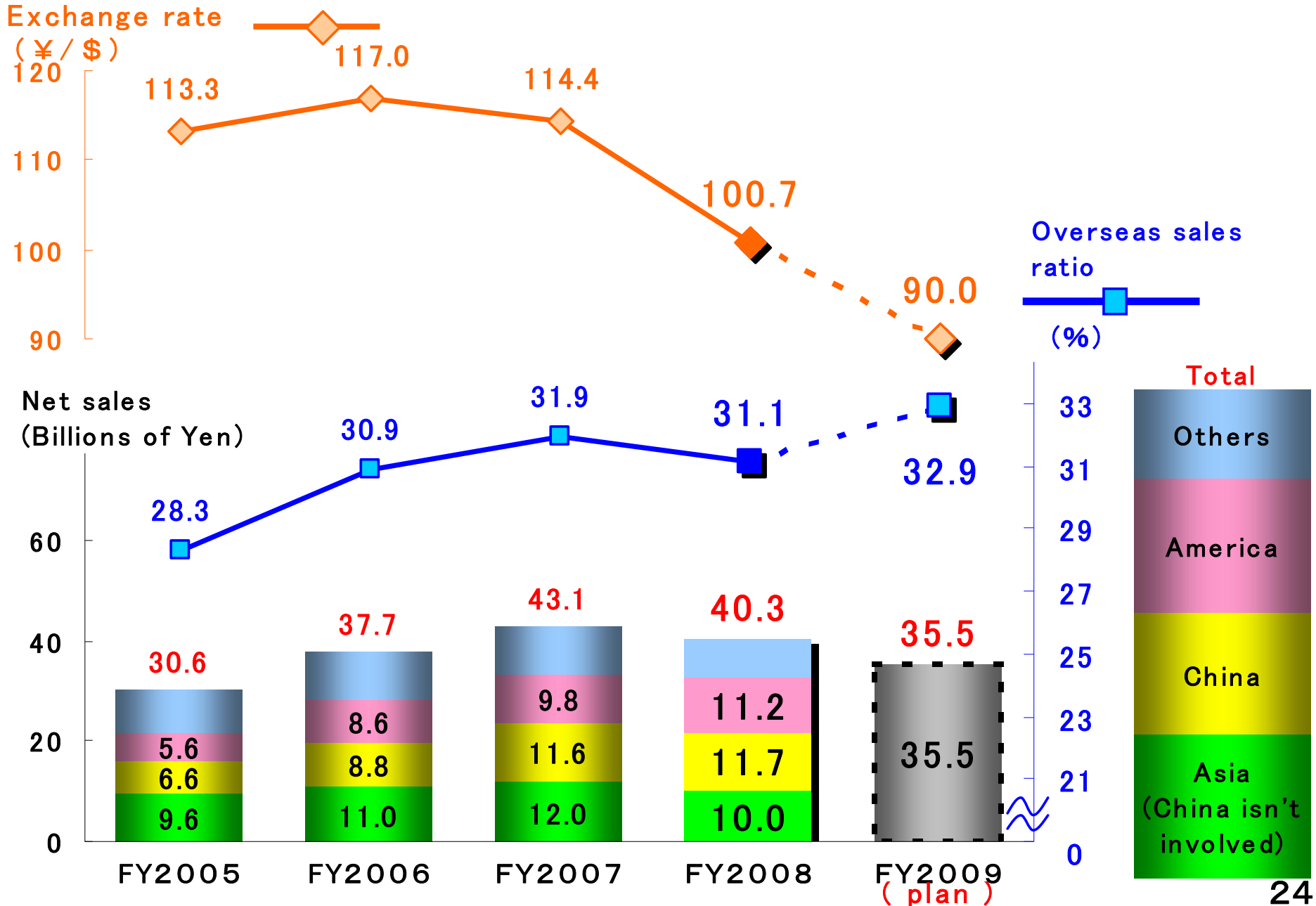


# Consolidated Operating Income Trend by Product Group

(Billions of Yen)

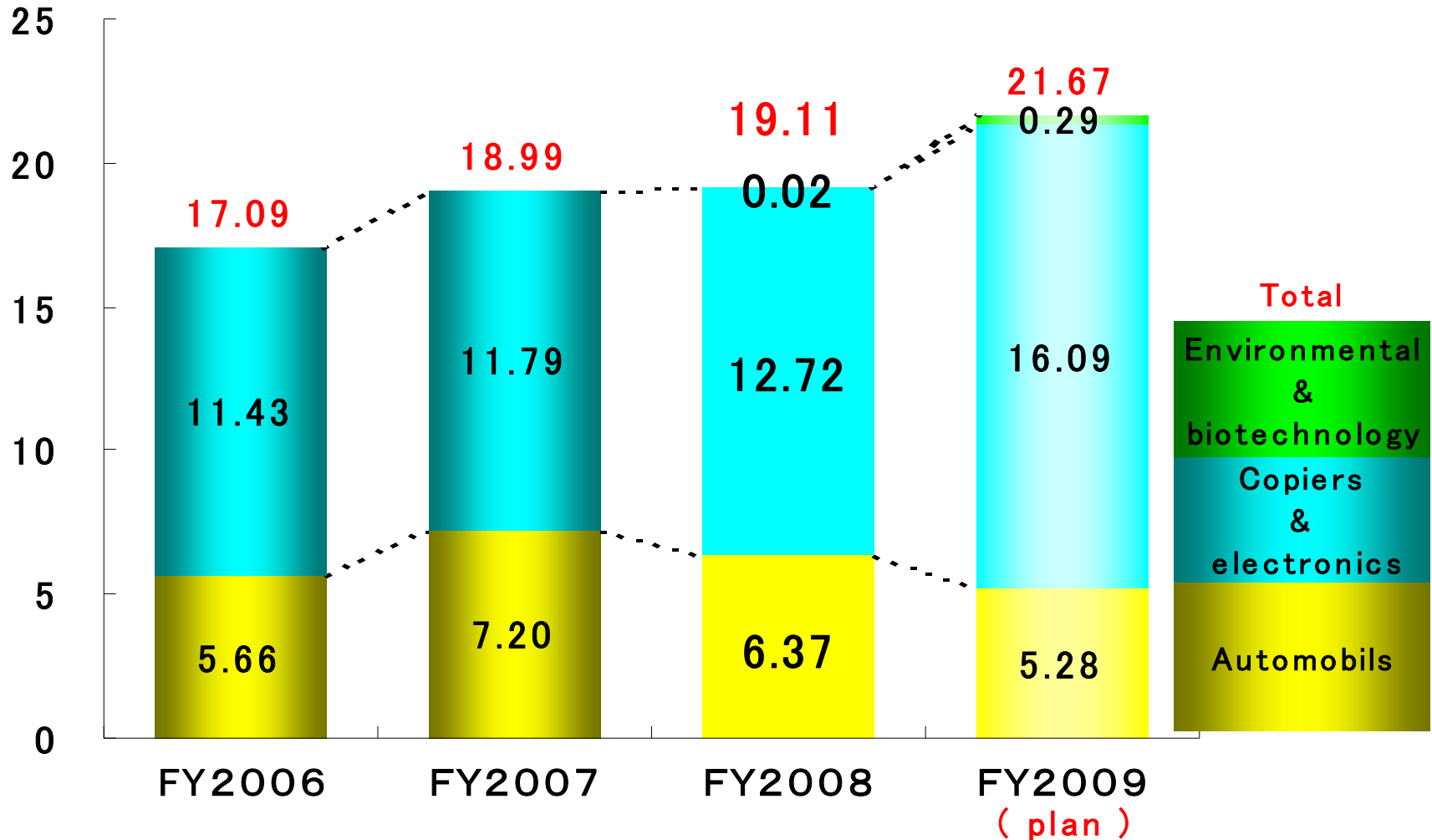


# Consolidated Overseas Sales Trend



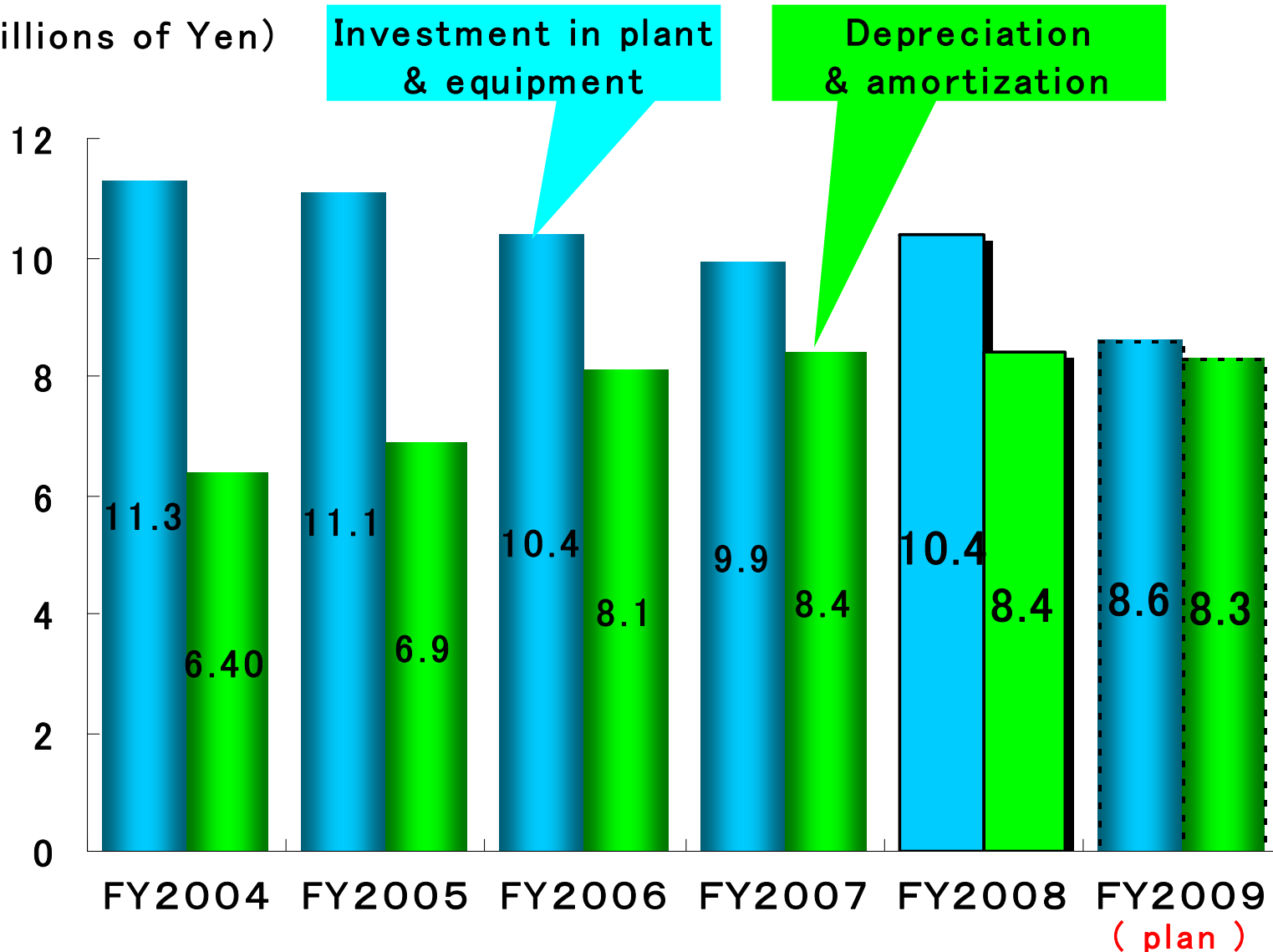
# Strategically Developed Products in Focus Fields (Consolidated)

Net sales  
(Billions of Yen)



# Consolidated Investment in Plant & Equipment

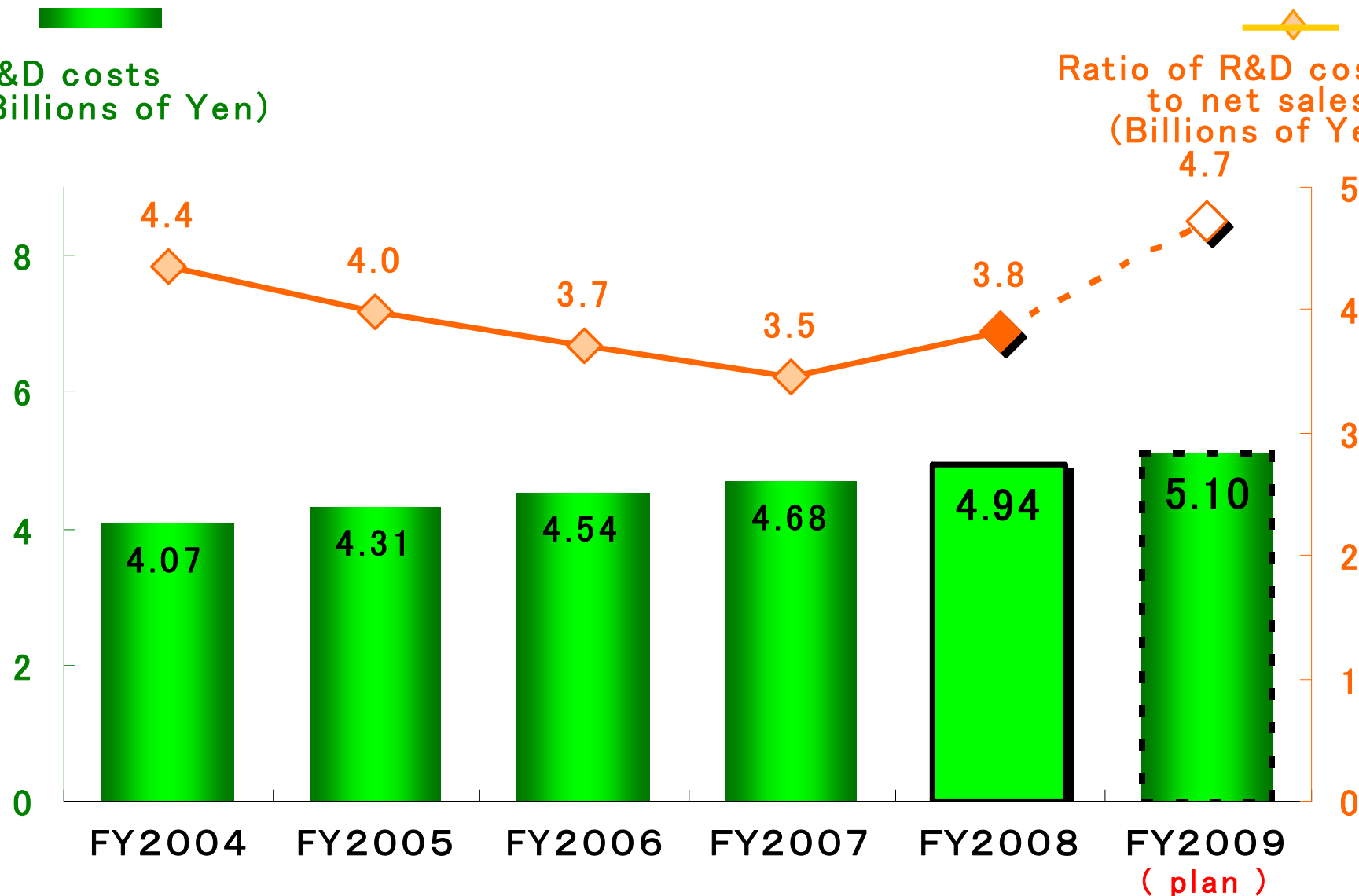
(Billions of Yen)



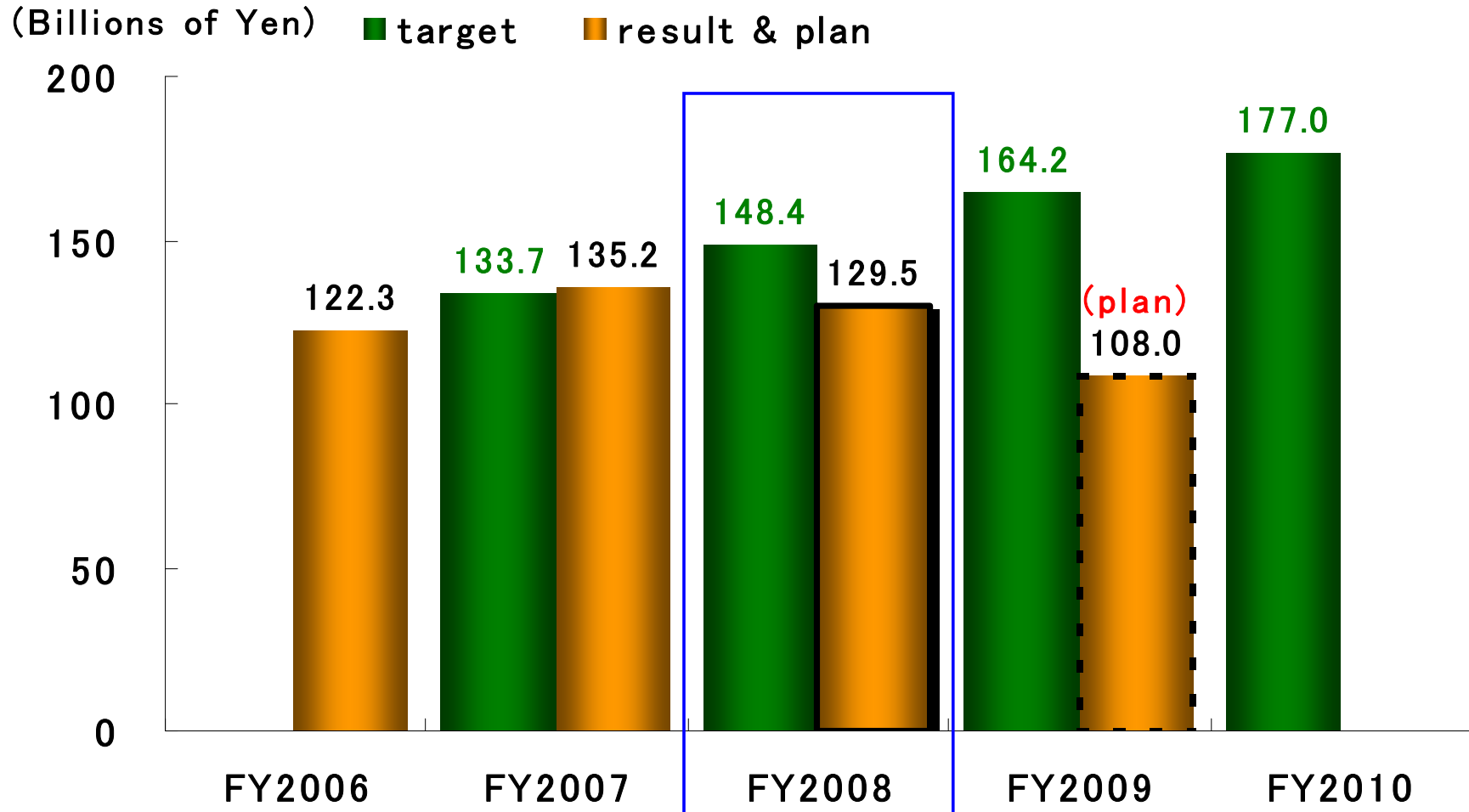
# Consolidated R&D Costs

R&D costs  
(Billions of Yen)

Ratio of R&D costs  
to net sales  
(Billions of Yen)



# Progress of the 7th Medium-Term Management Plan (Consolidated Net Sales)



← The 7th Medium-Term Management Plan →

# Consolidated R&D Costs

## 1. Emergency Countermeasures (from Jan. 2009)

- Postponement of capital investment, cuts in inventory levels, a substantial reduction in expenses
- Reduction in compensation for executives: 10%: Jan.–March 2009  
: 15%: from April 2009
- Reduction in compensation for managerial staff : 3–5%: from Jan. 2009
- Reduction in bonuses to executives (45% decrease from the previous fiscal year)
- Reduction in bonuses to employees (19% decrease from the previous fiscal year)

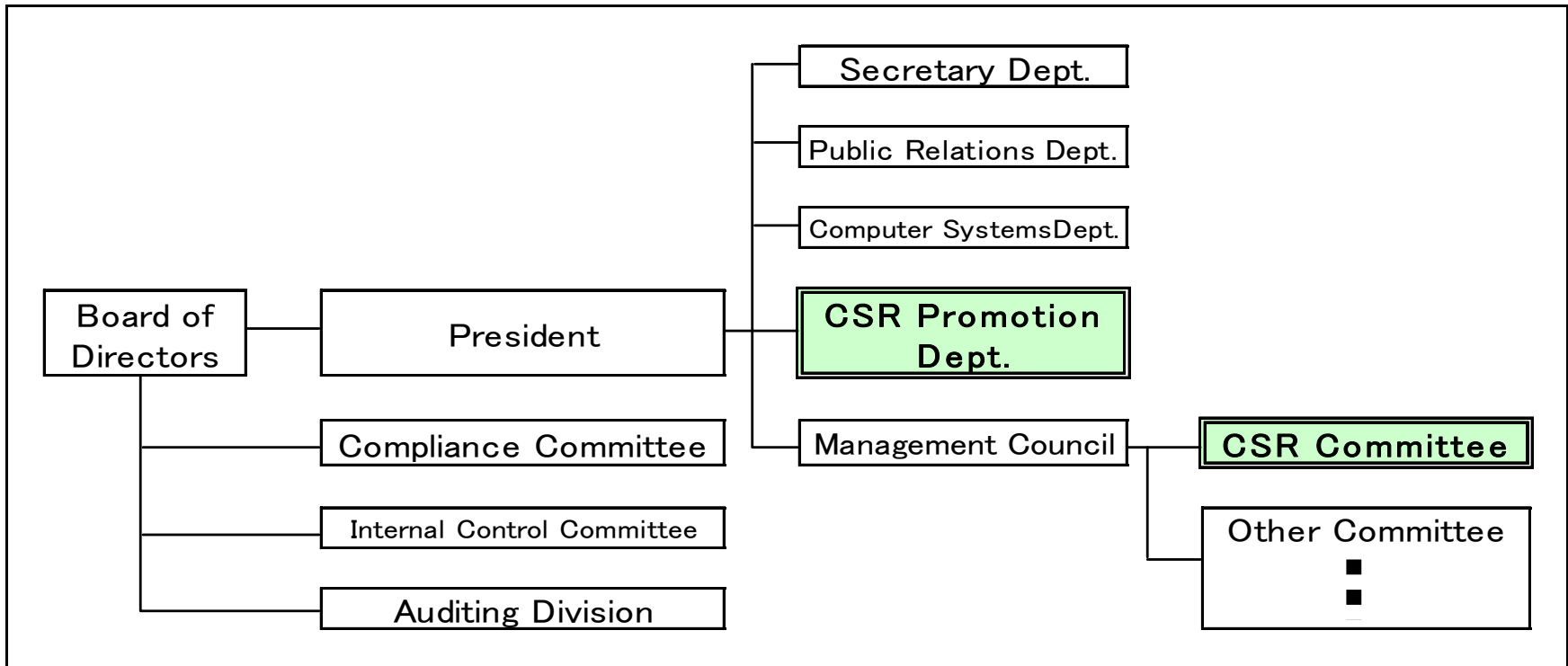
## 2. Medium- and Long-Term Countermeasures (looking ahead to next generation after an economic recovery)

- We are addressing the following issues in each capability to fundamentally improve company quality.
  - <R&D> Careful selection of product and technology development items and concentration of personnel
  - <Sales & Marketing> Reinforcement of sales and marketing capabilities
  - <Production> Production innovation
  - <General Affairs> Restructuring, including a review of organizational and management structures

# Topics

## Change of Organization in April 2009

- Establishment of the CSR Committee and the CSR Promotion Dept. under the direct supervision of the president



- Establishment of the Production Innovation Dept. in the Production Technology Division
- Establishment of the Purchasing Planning Sect. in the Purchasing Division