SUMITOMO BAKELITE CO., LTD.

Sumitomo Bakelite
Environmental & Social Report

Environmental & Social Report 2007

(April 2006–March 2007)

Contents

Editorial Policy

Sumitomo Bakelite Co., Ltd., has disclosed its environmental initiatives since the 1998 publication of the *Environmental Activities Report,* which became the *Environmental Report* in 2001. In 2005, we enhanced information on our social initiatives in the *Environmental & Social Report.*

Regarding the preparation of this 2007 version of the report,

- We have striven to prepare an easy-to-understand, easy-to-read style and format for readers,
- We have referred to the Ministry of the Environment's *Environmental Reporting Guidelines* (fiscal 2003 version), and
- Since 2001, we have included an independent review to raise the report's credibility.

Scope of *Environmental & Social Report 2007*

Period

Fiscal 2006 (April 2006 to March 2007)
Some activities mentioned in the report include those undertaken in fiscal 2007.

Business Sites (Company names as of August 2007)

Sumitomo Bakelite Co., Ltd.
- Amagasaki Plant (including subsidiaries and consolidated affiliates on the premises)
- Kanuma Plant*
- Nara Plant*
- Shizuoka Plant (including subsidiaries and consolidated affiliates on the premises)
- Industrial Resin & Molding Compounds Plant
- Utsunomiya Plant
- Tsu Plant
- Fundamental Research Laboratory
- Kobe Fundamental Research Laboratory

Akita Sumitomo Bakelite Co., Ltd.
Artlite Kogyo Co., Ltd.
Sumibe Techno Plastic Co., Ltd.
Hokkai Taiyo Plastic Co., Ltd.
Yamaroku Kasei Industry Co., Ltd.
Kyushu Bakelite Industry Co., Ltd.
Suzuka Plant, Decolanitto Co., Ltd.
Kyodo Co., Ltd.*
Y-Techs Co., Ltd.*

* Following the business integration with Tsutsunaka Plastic Industry Co., Ltd., the number of business sites for which data has been compiled has increased.

In response to the amendments to the Law Concerning the Rational Use of Energy and the Law Concerning the Promotion of Measures to Cope with Global Warming, we have revised the method for calculating energy consumption on a crude oil equivalent basis and CO_2 emissions starting from fiscal 2006.

Please refer to page 10 for information on overseas subsidiaries.

Use of the J-AOEI mark is granted based on the results of the review of an independent assurance provider. This mark indicates the reliability of the environmental information contained in our *Environmental & Social Report 2007* meets the standards established by the Japanese Association of Assurance Organizations for Environmental Information (J-AOEI; http://www.j-aoei.org) for granting an assurance and registration mark.

Message from the President

Tomitaro Ogawa,
President

The Sumitomo Bakelite Group's philosophy is to value the trust and maintain the steadiness. Based on this, we strive through our business activities to make contributions to social progress and improvements to quality of life worldwide. Our mission is to become a "global excellent company" that produces plastics of greater sophistication and sustains its growth in the field of functional chemistry by creating customer value.

As a priority management issue in line with our basic policy, and while championing "management that is highly compatible with society and the environment," Sumitomo Bakelite established a code of conduct to which each and every Company employee must adhere, and we are striving to promote this code of conduct throughout the entire Group. Moreover, we are working to construct an internal control system to further enhance our corporate governance, and the entire Group is preparing for the introduction of internal control over financial reporting, which has been dubbed "J-SOX" and will go into full effect for fiscal years starting on or after April 1, 2008.

We launched a Companywide training and education program that we called the SB School in 2007 as a new initiative that acts on our belief that "our employees are important assets." A wide array of programs have been prepared in response to varying needs, including programs for Companywide employee education, education for each rank of employees, and training for specific purposes. We seek to develop employees that can make self-directed contributions to business growth at Sumitomo Bakelite.

Based on Responsible Care activities, a global chemical industry initiative, we continue to work to minimize environmental, safety, and health-related impact throughout product life cycle stages as part of the initiative, from the development and manufacturing of products to their use and final disposal.

In July 2007, the Company and Tsutsunaka Plastic Industry Co., Ltd., including its Group affiliates integrated so as to strengthen and enhance the efficiency of the Quality of Life Products Division. Following this, we reviewed the waste generation and CO_2 emission targets for the Sumitomo Bakelite Group and are taking steps to reduce the environmental impact of the entire Group even more efficiently than before the business integration.

Meanwhile, the sales of environment-conscious products increased steadily to 26.9% of net sales in fiscal 2005 and to 27.5% in fiscal 2006, compared to 20.7% in fiscal 2004. We thank our customers for understanding our diligent initiatives for these products.

We remain saddened and distressed by a serious occupational accident in 2006. To promote a qualitative improvement in the prevention of occupational accidents at our plants, we are introducing a risk assessment program that makes essential safety design the foremost priority. Moreover, we are working to eliminate sources of danger, quantitatively measure the level of risk, and implement countermeasures that have been assigned a clear priority level.

Regarding safety of chemical products, the new EU Regulation for Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) came into force in June 2007 and makes the registration of chemical substances mandatory. Likewise, the adoption of the Globally Harmonized System of the classification and labeling of chemicals (GHS) is moving forward, and we are striving to bolster our systems in accordance.

We hope the *Environmental & Social Report 2007* will give readers a good understanding of the Sumitomo Bakelite Group's stance and its efforts in this area. We welcome your comments and suggestions.

September 2007

Tomitaro Ogawa,
President

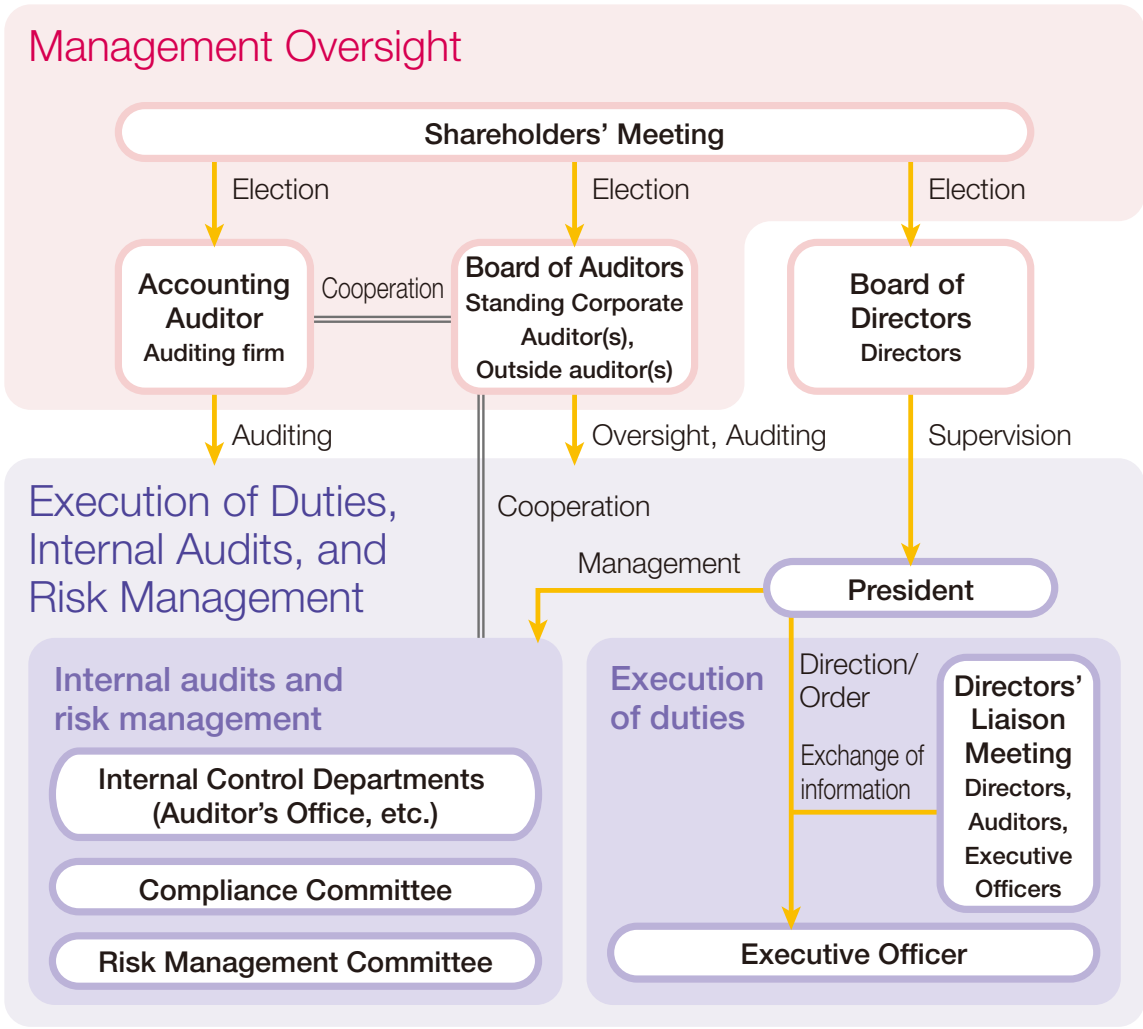
Corporate Governance and Compliance

We will further improve our relationship with society by enhancing corporate governance and ensuring thorough compliance.

Corporate Governance

We at Sumitomo Bakelite Co., Ltd., recognize that improving transparency and our relationship with society is fundamental to corporate governance. The Company's philosophy is to value the trust and maintain the steadiness. Based on this, we strive through our business activities to make contributions to social progress and improvements to quality of life worldwide and are taking steps to further improve corporate governance.

Structure of Corporate Governance



Basic Policy Regarding Internal Control System Establishment

At the Board of Directors' meeting held on May 9, 2006, a basic policy on the establishment of internal control systems was adopted pursuant to Japan's Company Law. At a Board of Directors' meeting held on April 27, 2007, a portion of this basic policy was amended. For more information, please refer to our corporate website (http://www.sumibe.co.jp/english).

We are preparing to fully adopt internal control over financial reporting from the fiscal year starting April 1, 2008.

Compliance

Sumitomo Bakelite promotes management with an emphasis on compliance in recognition of the fact that adhering to laws and corporate ethics is a crucial component of business activities.

We endeavor to ensure that all the individuals constituting the Company are sufficiently informed regarding Our Standards of Conduct, a code of conduct to which each and every employee must adhere in conducting business activities. Also, we are moving forward with compliance initiatives led by the Compliance Committee. In addition, similar initiatives are being implemented at all Group companies to ensure uniform operations, and our affiliates, including those overseas, are in the process of establishing codes of conduct based on Our Standards of Conduct.

Our Standards of Conduct

To further familiarize employees and ensure compliance with corporate ethics, Sumitomo Bakelite established Our Standards of Conduct and distributes them in a booklet to all employees.

[Our Standards of Conduct]

1. We play an important, beneficial role in our society, offering customers products and services that put customer satisfaction first.
2. We strive to improve the performance of the Sumitomo Bakelite Group, always taking a global perspective.
3. We adhere to our corporate ethics, complying with legal requirements and our bylaws both in Japan and abroad, while engaging in fair and transparent business activities.
4. We emphasize safety while independently engaging in environmental protection activities.
5. We strive to create a pleasant work environment through respect for individual personalities and human rights.

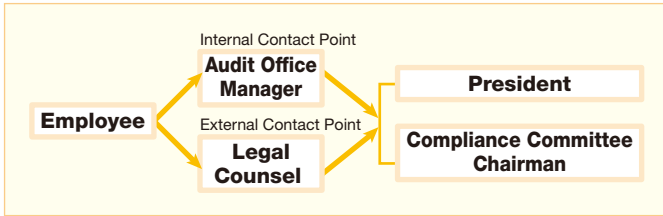
Note: The booklet includes what we should strive for as well as specific modes of behavior related to each item.

The Sumitomo Bakelite Compliance System

The Compliance Committee was established as a part of the system that internally controls the directors' execution of their duties. The committee aims to promote compliance and is responsible for assessments of compliance levels and, when necessary, related improvements as well as education and training.

Reporting System

In cases where an employee discovers a compliance violation or suspects that there may have been a violation, and it is not appropriate to report the incident to his/her superior, he/she may directly report it to a designated contact point. In addition, employees can access designated external legal counsel to report the incident.



Initiatives to Protect Personal Information

We recognize that the customer, shareholder, employee, and other personal information in our possession is important and must be protected, and therefore are committed to ensuring that this information will not be leaked to outside sources. The Company's privacy policy is presented below.

Sumitomo Bakelite's Privacy Policy

Recognizing the importance of protecting personal information, the Company promotes the protection of personal information based on the guidelines below.

1. The Company shall acquire personal information through legal and honest methods.
2. The Company shall disclose the purpose for which personal information will be used before acquiring it and shall use it only for that purpose.
3. The Company shall not provide personal information it has acquired without first obtaining prior consent, except in cases where it is unlawful to withhold the information. However, personal information may be shared with subsidiaries and affiliates or outsourcing companies without obtaining prior consent.
4. The Company shall conduct appropriate management and oversight when outsourcing companies are consigned with the handling of personal information.
5. The Company shall maintain the accuracy of personal information and manage it securely.
6. The Company shall protect personal information stored in electronic databases from loss, destruction, falsification, and leaks by taking the appropriate security measures to guard against illegal access and computer viruses.
7. The Company shall respond to requests to disclose, amend, stop using, or erase personal information within a reasonable amount of time, after confirming that the person making the request is the person whose information is affected.
8. The Company shall, in addition to engaging in employee education and awareness training regarding the handling of personal information, place managers in departments that handle personal information to ensure the proper management and handling of personal information in daily operations.

Management Policies and Corporate Policies for Safety, Health, and the Environment

The Sumitomo Bakelite Group has set environmental targets based on environmental and safety management policies in line with its basic policy of "society and environment-compatible management."

Management Policies

1. Enforce and expand core businesses
2. Enhance customer satisfaction
3. Consolidate management and promote internationalization
4. Establish management that is highly compatible with society and the environment

Corporate Policies for Safety, Health, and the Environment

Philosophy

In all its operations, Sumitomo Bakelite will endeavor to conform with the highest standards dictated by the Responsible Care concept and give due consideration to human health and safety as well as to the protection of the environment.

Policies

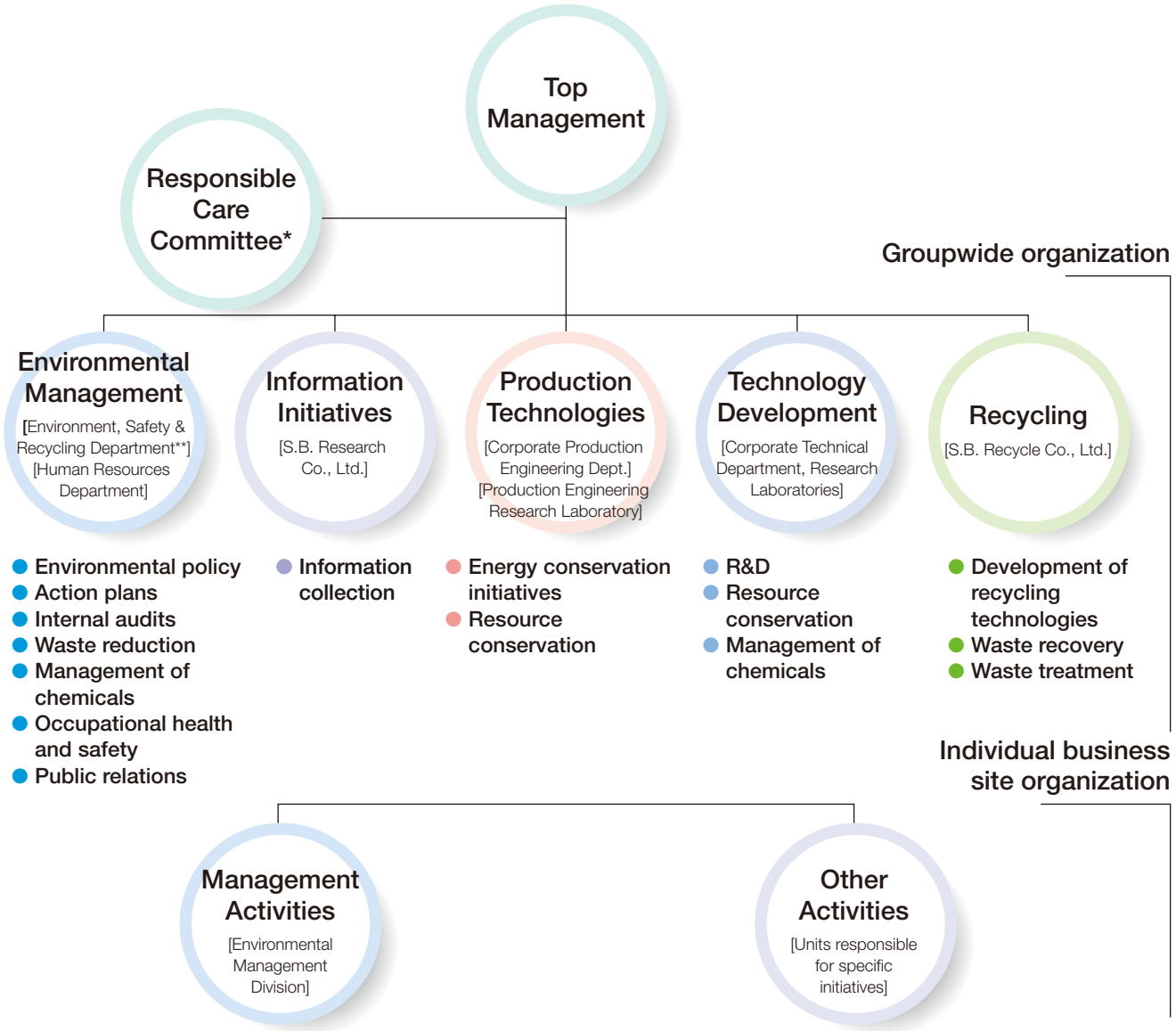
In accordance with this philosophy, we will

1. Evaluate the safety, health, and environmental aspects of all corporate activities, from product design through product disposal, strive to minimize the environmental impact of corporate activities, and undertake to develop safer products and technologies;
2. Make sustained, Groupwide efforts to promote resource and energy conservation, recycling, and waste reduction;
3. Implement operational safety management programs for our employees and neighbors;
4. Work to improve the safety of products and transportation operations and provide product safety information to customers and others;
5. Comply with all relevant laws, regulations, and agreements associated with safety, health, and the environment while autonomously establishing administrative rules designed to promote safety, health, and environmental protection; and
6. Perform inspections of environmental protection and safety activities as well as work to maintain and improve systems for administering such activities.

Promotional Organization

Sumitomo Bakelite's organization to protect the environment and ensure safety and health

Sumitomo Bakelite adheres to Responsible Care guidelines for safeguarding the environment, safety, and health throughout the life cycle of chemical substances, from development to disposal. The Company has established the Responsible Care Committee comprising members of top management. The implementation of Responsible Care is carried out Groupwide, centering on the head office. Individual business sites carry out activities through their Environmental Management Division and other departments responsible for specific initiatives.



* Responsible Care Committee: Promotes Responsible Care activities, establishing plans for Groupwide Responsible Care activities and considering and granting approval for individual business site activities

** Environment, Safety & Recycling Department: In addition to serving as the office for Responsible Care activities, coordinates the activities of individual business sites as follows:

- Management assistance in promoting safety and environmental maintenance and improvement at individual business sites
- Internal audits of environment- and safety-related Responsible Care efforts at individual business sites (Domestic business sites are audited annually, while overseas business sites are usually audited once every three years.)
- Safe management of chemical substances, compliance with applicable laws and regulations, and related applications
- Feasibility studies and proposals for internal and external recycling activities

Environmental Targets—Domestic Business Sites

Sumitomo Bakelite has been working Groupwide to reduce its environmental impact since fiscal 2000 with the establishment of medium- and long-term targets based on the Company's Corporate Policies for Safety, Health, and the Environment, using fiscal 1999 as the base year.

Medium- and Long-Term Environmental Impact Reduction Targets—Domestic Business Sites

Waste generation: 30% reduction (to be achieved by fiscal 2009)

Zero emissions-designated substances: 99% reduction (to be achieved by fiscal 2009)

Air emissions of solvents and other chemical substances: 94% reduction (to be achieved by fiscal 2009)

CO_2 emissions: 4.4% reduction (to be achieved by fiscal 2010)

Definitions: Waste generation: Aggregate volume of industrial and general waste

Zero emissions-designated substances: Landfilled and incinerated waste without energy recovery

Air emissions of solvents and other chemical substances: Emissions of solvents and other chemical substances targeted by the Japan Chemical Industry Association (JCIA) Pollutant Release and Transfer Register (PRTR) assessments (including substances targeted for reporting pursuant to the PRTR Law)

CO_2 emissions: CO_2 emissions due to energy (fuel and electricity) used in business activities, such as production and research

The above medium-term targets have been revised to reflect the addition of the Kanuma Plant, Nara Plant, Kyodo Co., Ltd., and Y-Techs Co., Ltd., to the business sites for data compilation starting from fiscal 2006.

Environmental Impact Reduction Performance and Targets—Domestic Business Sites

Action	Unit	1999 (base year) performance	2005 performance	2006 performance	2007 plan	2008 targets	2009 targets
Waste generation	Tons	12,800	9,514 (26% reduction)	11,317 (12% reduction)	10,126 (21% reduction	9,500 (26% reduction)	9,000 (30% reduction)
Zero emissions-designated substances	Tons	7,053	548 (92% reduction)	287 (96% reduction)	220 (97% reduction)	110 (98% reduction)	60 (99% reduction)
Air emissions of solvents and other chemical substances	Tons	3,164	460 (85% reduction)	400 (87% reduction)	280 (91% reduction)	250 (92% reduction)	200 (94% reduction)
CO_2 emissions	Tons	130,769	118,308 (9.5% reduction)	134,785 (3.1% increase)	132,845 (1.6% increase)	130,100 (0.5% reduction)	127,500 (2.5% reduction)

Numbers in parentheses ( ) are rates of reduction based on fiscal 1999 levels.

Environmental impact figures are compiled from data from the following business sites:

Sumitomo Bakelite Co., Ltd.: Amagasaki Plant (including subsidiaries and consolidated affiliates on the premises), Kanuma Plant (included from 2006), Nara Plant (included from 2006), Shizuoka Plant (including subsidiaries and consolidated affiliates on the premises), Industrial Resin & Molding Compounds Plant, Utsunomiya Plant, Tsu Plant, Fundamental Research Laboratory, and Kobe Fundamental Research Laboratory

Akita Sumitomo Bakelite Co., Ltd., Artlite Kogyo Co., Ltd., Sumibe Techno Plastic Co., Ltd., Hokkai Taiyo Plastic Co., Ltd., Yamaroku Kasei Industry Co., Ltd., Kyushu Bakelite Industry Co., Ltd., Suzuka Plant, Decolanitto Co., Ltd. (included from 2004), Kyodo Co., Ltd. (included from 2006), Y-Techs Co., Ltd. (included from 2006), and Sano Plastic Co., Ltd. (included through June 2002)

Summary of Environmental Impact Reduction Activities

Each year, Sumitomo Bakelite sets specific targets for reducing its environmental impact, evaluating them on a monthly basis. The chart below shows fiscal 2006 targets and actual performance.

Action	Unit	2005 performance	2006 targets	2006 performance	Comments
Waste generation	Tons	9,514	7,493	9,876	The amount of waste generated was above the target and greater than the year-earlier level due to being below our original plan in the recovery of solvents used as cleaners. We will work to raise the recovery rate going forward so as to reduce waste generated.
		—	—	11,317	
Zero emissions-designated substances	Tons	548	100	90	We achieved our target, owing primarily to progress with recycling initiatives at the Suzuka Plant of Decolanitto Co., Ltd., and Akita Sumitomo Bakelite Co., Ltd.
		—	—	287	
Air emissions of solvents and other chemical substances	Tons	460	353	367	We fell short of our target, but reduced air emissions of solvents and other chemical substances by about 90 tons from the previous year's level through the consolidation of production-generating solvent emissions and the effective use of waste gas treatment facilities.
		—	—	400	
CO_2 emissions	Tons	118,308	118,188	116,616	We achieved our target by switching from heavy oil to utility gas for boiler fuel at both the Amagasaki and Shizuoka plants.
		—	—	134,785	

: Above target

: Below target

Note: The figures in the upper boxes for each category are targets and performance that do not include data for the Kanuma Plant, Nara Plant, Kyodo Co., Ltd., or Y-Techs Co., Ltd.

The figures in the lower boxes for each category are performance that include data for the Kanuma Plant, Nara Plant, Kyodo Co., Ltd., and Y-Techs Co., Ltd.

Environmental Targets—Overseas Business Sites

In fiscal 2003, Sumitomo Bakelite began collecting data on the environmental impact of overseas production bases with an eye to making reductions. To this end, it has established medium- and long-term environmental targets and is tracking its progress using fiscal 2004 as the base year.

Medium- and Long-Term Environmental Impact Reduction Targets—Overseas Business Sites

Waste generation: 25% reduction (to be achieved by fiscal 2009)
Zero emissions-designated substances: 30% reduction (to be achieved by fiscal 2009)
CO_2 emissions: 3.5% reduction (to be achieved by fiscal 2009)

We have established three environmental target areas: 1) waste generation, 2) zero emissions-designated substances (landfilled and incinerated waste without energy recovery), and 3) CO_2 emissions. In view of the performance for fiscal 2006 and future production volume forecasts, we have revised our environmental targets. In calculating CO_2 emissions, we have revised the coefficients we use for emissions coming from electric power back to 2004 and use different coefficients for each country and electric power supplier.

Environmental Impact Reduction Performance and Targets—Overseas Business Sites

Action	Unit	2004 performance	2005 performance	2006 performance	2007 plan	2008 targets	2009 targets
Waste generation	Tons	14,312	14,592 (2.0% increase)	12,755 (10.9% decrease)	12,004 (16.1% decrease)	11,400 (20% decrease)	10,800 (25% decrease)
Zero emissions-designated substances	Tons	13,023	13,128 (0.8% increase)	11,182 (14.1% decrease)	10,097 (22.5% decrease)	9,500 (27% decrease)	9,100 (30% decrease)
CO_2 emissions	Tons	157,048	157,680 (0.4% increase)	164,562 (4.8% increase)	167,244 (6.5% increase)	163,800 (4.3% increase)	151,600 (3.5% decrease)

Numbers in parentheses are the rates of increase or decrease compared with fiscal 2004 levels.

Environmental impact figures are compiled based on data gathered from the following entities.
Sumitomo Bakelite Singapore Pte. Ltd., Sumicarrier Singapore Pte. Ltd., SumiDurez Singapore Pte. Ltd., SNC Industrial Laminates Sdn. Bhd., BASEC Hong Kong Limited, P.T. Indopherin Jaya, Sumitomo Bakelite (Suzhou) Co., Ltd., SB Flex Philippines, Inc., Sumitomo Bakelite (Taiwan) Co., Ltd., Bakelite Precision Molding (Shanghai) Co., Ltd., Rigidtex Sdn. Bhd., Durez Corporation, N.V. Sumitomo Bakelite Europe S.A., Sumitomo Bakelite Europe (Barcelona) S.L.U., Sumitomo Bakelite Vietnam Co., Ltd., Sumitomo Bakelite Macau Co., Ltd., and Vyncolit N.V. (included from fiscal 2005)

Environmental Accounting

Sumitomo Bakelite has adopted environmental accounting to promote efficient environmental management and fulfill its responsibility to society.

Sumitomo Bakelite implemented environmental accounting in fiscal 2000 to quantify the costs and benefits of environmental conservation and effectively promote environmental management as well as disclose information to stakeholders and give them an understanding of the Company's initiatives. Environmental accounting was introduced at five plants and the Company's two research laboratories in fiscal 2000 and, since fiscal 2001, has been successively implemented at affiliated companies in Japan, figures for which are included in data compilation.

The Company tabulates figures for environmental accounting based on the Ministry of the Environment's *Environmental Accounting Guidelines* (2005 version). Furthermore, the Group is working to develop its own accounting standards, with the view that environmental accounting is a means of quantitatively evaluating the progress of activities to reduce environmental impact. In addition, we review the standards every year to obtain more useful information through environmental accounting.

Environmental Conservation Costs for Fiscal 2006

Item	Investment (millions of yen)	Expenses (millions of yen)	Description
(A) Emissions control	119	318	• Fuel switching for boilers • Asbestos removal works
(B) Energy conservation	159	30	• Installation of a steam turbine compressor
(C) Waste reduction, recycling, and treatment	5	634	• Waste treatment
(D) Product initiatives at the R&D stage	200	1,847	• R&D for environment-conscious products
(E) Reduction of upstream and downstream environmental impact	—	21	• Analysis of environmental substances • Commission fees to the Japan Containers and Packaging Recycling Association
(F) Environmental management activities	0	278	• Personnel expenses for environmental management activities • Beautification activities and maintenance of green spaces
(G) Contributions to community activities	—	1	• Outside communications activities
(H) Response to environmental damage	—	13	• Inspections of soil and groundwater contamination at vacant lot of Sano Plastic Co., Ltd. (see page 27)
Total	483	3,142	

Period: April 2006 to March 2007

Scope of compilation: Sumitomo Bakelite Co., Ltd.: Amagasaki Plant (including subsidiaries and consolidated affiliates on the premises), Kanuma Plant*, Nara Plant*, Shizuoka Plant (including subsidiaries and consolidated affiliates on the premises), Industrial Resin & Molding Compounds Plant, Utsunomiya Plant, Tsu Plant, Fundamental Research Laboratory, and Kobe Fundamental Research Laboratory

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*denotes plants and companies added to the scope for data compilation from fiscal 2006

Compilation Methods

- Figures have been tabulated based on the Company's Environmental Accounting Compilation Standards with reference to the Ministry of the Environment's *Environmental Accounting Guidelines* (2005 version).
- In cases where composite costs include costs other than those related to environmental conservation, environmental conservation costs have been tabulated based on the proportion used for environmental conservation purposes.
- Economic benefits have been calculated by adding up benefits that can be measured based on a certain premise, and such theoretical benefits as risk aversion are not included.
- Expenses do not include depreciation.
- Research and development investments and expenses are compiled for each environment-related category.

Benefits of Environmental Conservation for Fiscal 2006

Reduction of environmental impact (compared with previous fiscal year) (tons)		Environmental impact (fiscal 2006) (tons)	
Reduction in amount of air emissions and other substances	60	Amount of air emissions and other substances	400
Reduction in amount of CO_2 emissions	-16,477*	Amount of CO_2 emissions	134,785
Reduction in amount of waste	-1,803*	Amount of waste generation	11,317
Reduction in amount of landfilled and incinerated waste without energy recovery	261	Amount of landfilled and incinerated waste without energy recovery	287

Note: * The amount of CO_2 emissions and waste generation increased from the previous year as a result of an expansion in the number of business sites for which data are compiled.

Economic Benefits for Fiscal 2006

Classification	Amount (millions of yen)
Cost reductions resulting from energy conservation	52
Cost reductions resulting from waste reductions	1
Income from external recycling	188
Cost reductions resulting from internal recycling	694
Others	4
Total	939

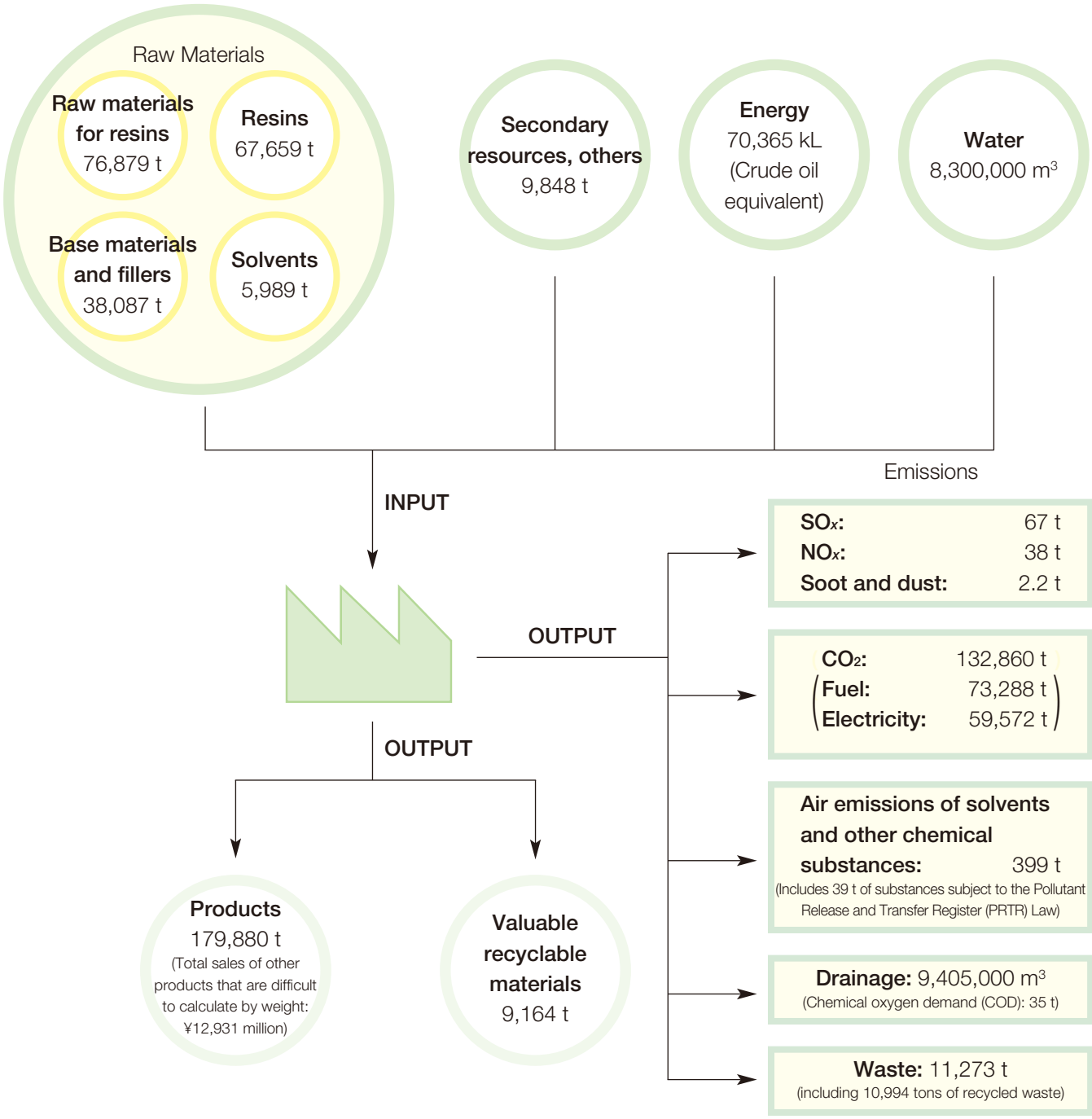
Net sales of environment-conscious products totaled ¥28,515 million, a decrease of ¥267 million compared with the previous fiscal year, representing 27.5% of net sales, up 0.6 percentage point from the previous fiscal year.

Environmental Impact Material Balance

The flowchart below illustrates the environmental impact of Sumitomo Bakelite's business activities.

The chart below shows inputs, including raw materials and energy, as well as outputs that are released into the environment.

The Group is working to reduce its impact on the environment through waste reduction and resource conservation by promoting cutbacks on the use of raw materials, energy, and water.



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*denotes plants and companies added to the scope for data compilation from fiscal 2006

Environment-Conscious Products

Sumitomo Bakelite strives to develop and offer products that do not pollute the environment and do not contain dangerous or harmful substances, do not require customers to use such substances, contribute to the conservation of natural resources and energy, and make it easy to recover and recycle resources.

SUMIKON® EME Epoxy Molding Compound for Semiconductors

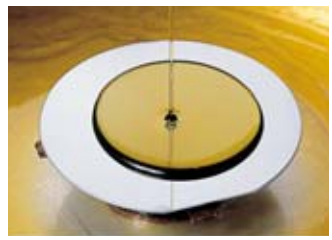
Sumitomo Bakelite has developed an epoxy resin molding material for semiconductor sealing that is free of bromine- and antimony-based flame retardants, which have a great negative impact on the environment, is free of substances for which there is concern about their environmental impact, and conforms with global environmental standards as a molding material that can be used in lead-free solder mounting. The Company has developed and marketed the new SUMIKON® EME G700 series for applications that require high reliability and the new SUMIKON® EME G600 series for ordinary semiconductor package applications, all of which use an epoxy resin with superior fire retardant capabilities. We also launched the SUMIKON® EME E series for discrete applications. Centered on material design technology that reduces environmental impact, this “green” family of products can be used for applications ranging from cutting-edge packages to ordinary packages and is enabling the Company to reduce its environmental impact.

SUMIRESIN EXCEL® CRM Semiconductor Die Attach Paste

This product family of highly reliable die attach paste for the high mounting temperatures required for lead-free solder includes the SUMIRESIN EXCEL® CRM 1076 series and 1033 series for lead frame packages, as well as the SUMIRESIN EXCEL® CRM 1500 series for area mounted packages. In addition, recently launched series include the CRM-1710 and CRM-1720 series, which are die attach pastes that harden quickly, and the CRM-1790 series, which is a good substitute for solder die attach materials because of its superior heat conduction properties.

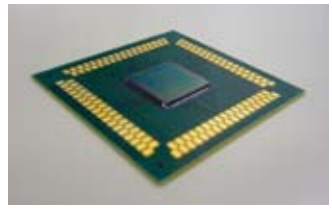
SUMIRESIN EXCEL® CRC Wafer Coating Material

To respond to narrowing circuit widths required due to the sharp increase in semiconductor memory capacity as well as higher speeds and to satisfy strict demands for reliability, Sumitomo Bakelite has developed and marketed the SUMIRESIN EXCEL® CRC 8000 series of positive photosensitive wafer coating resins. This enables semiconductor manufacturers to use alkaline water as developing fluid and pure water as a rinsing solution, rendering special solvents unnecessary. In addition, with certain wafer level packages, it can be used in place of conventional plastic-based sealants for rewiring, reducing the length of processing and thus conserving resources and energy.



SUMIRESIN EXCEL® CRP Liquid Epoxy Resin for Semiconductors

SUMIRESIN EXCEL® CRP is an underfill resin for lead-free solder that increases the reliability of flip-chip connections. Underfill resin fills in the area between the base and chip in lead-free soldering—the mechanical strength of which is inferior to conventional solder—to provide adequate protection and hardness, vastly improving connection stability throughout temperature cycles and in other severe environments to enable more fluid work processes.

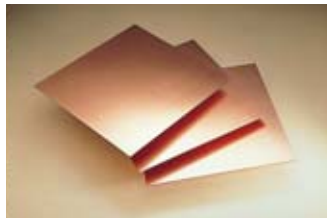


LOC Adhesive Film ITA Semiconductor Adhesive Film/Semiconductor Adhesive Film IBF

LOC adhesive film ITA and the Semiconductor Adhesive Film IBF3000 series boast higher heat resistance than conventional adhesive films and have been developed and marketed as semiconductor adhesive film products that are compatible with lead-free soldering reflow. In addition, Sumitomo Bakelite has developed the Dicing Die Attach Film IBF8000 series, which enables adhesion at low temperatures and thus process simplification, which, in turn, facilitates resource and energy conservation through the shortening of manufacturing processes.

SUMILITE® PLC, ELC, and APL (GS Series) “Green” Laminates

Sumitomo Bakelite’s GS series offers a wide range of grades of environment-conscious halogen- and antimony-free laminates, which are used in electric circuit boards for electronic devices, from paper phenol materials for one-sided boards to materials for semiconductor package substrates. The Company has also developed and marketed glass epoxy multilayer materials with such superior features as tracking resistance and low heat expansibility.



SUMILITE® TFP Flexible PCBs

In addition to epoxy laminates used for flexible copper-clad boards and cover lays, Sumitomo Bakelite has developed and offers flexible printed circuit boards (PCBs) free of halogen and antimony compounds as well as flexible PCBs that use lead-free plating for use in packaging and flexible PCBs that use gold plating for use in connector terminals.

SUMILITERESIN® ECP for Electronic Components

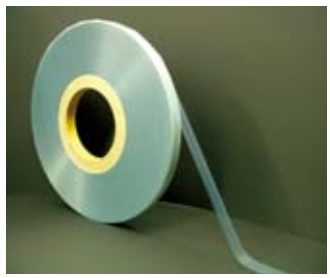
Sumitomo Bakelite epoxy coating powder (ECP) products for electronic components include a lead-free ECP that is compatible with laser marking as well as one that is free of halogen and antimony and incorporates heat resistance and long-term stability. In addition, we have developed and marketed an ECP for motor insulation that does not contain dangerous azo compounds, which generate harmful amine, so as to reduce environmental impact. Moreover, we are moving forward with the development of an ECP that improves the coating environment by generating less dust during the coating process as well as an ECP that does not require wastewater treatment, unlike electrodeposition paint, and allows for thin-layer coating.

SUMIMAC® ECR Liquid Epoxy Resin for Electric and Electronic Components

Sumitomo Bakelite offers a halogen- and antimony-free liquid ECR for lead-free solder surface mount devices. In addition, the Company has developed and sells an ECR that serves as a secondary mounting underfill material to ensure connection reliability for packages and printed boards while allowing broken packages to be removed from the board, enabling the board to be reused and thus reducing waste generation.

SUMILITE® CSL Semiconductor Cover Tape for Electric and Electronic Components

This cover tape developed and sold by Sumitomo Bakelite protects electric and electronic components from static electricity by adding electrical conductivity to the layer the carrier tape is adhering to. In addition, it is an environment-conscious, halogen-free product.



SUMILITERESIN® PR Industrial Phenolic Resins

Using catalytic and reaction technologies, Sumitomo Bakelite has developed and markets phenolic resins that have less impact on the global environment and work environments and meet the requirements of the PRTR Law, the Industrial Safety and Health Law, and the Poisonous and Deleterious Substances Control Law. Products in the lineup include resins with minimal levels of unreacted monomer and dimer components, dust-free powder resins that do not generate dust, and non-gas resins that do not generate harmful gases during thermosetting.

SUMIKON® PM Phenolic Resin Metal Alternative Molding Compounds

Taking advantage of phenolic resin's superior heat resistance, dimensional characteristics, and mechanical strength, Sumitomo Bakelite supplies molding compounds for automotive and a wide variety of other mechanical components. Such compounds have enabled the plasticization of such metal automobile components as brake pistons and pulleys, thereby contributing to lighter automobiles, lower fuel costs, and reduced CO_2 emissions. The Company also proactively recycles hardened materials through the operation of a material recycling system for molding by-products and the development of the world's first chemical recycling technology that makes use of supercritical fluid technology.

SUMILITE® CEL Co-Extruded Films

By combining a variety of resins to form multilayered films through co-extrusion, Sumitomo Bakelite has developed a thinner film, like a dry laminate, that does not use solvents, consequently reducing packaging material waste loss.

P-Plus® Freshness Maintenance Film

P-Plus® freshness maintenance film is manufactured and sold by Sumitomo Bakelite to preserve the quality of produce during distribution and storage. P-Plus® helps reduce loss due to produce spoilage at each stage of distribution by preserving quality. It also contributes to reducing environmental impact by reducing the number of shipments to stores and facilitating the use of cardboard boxes and containers, which are easier to recycle than polystyrene containers.

SB VAC SLIM® Portable, Sustained Low-Pressure Aspiration Device for Medical Use

Sumitomo Bakelite has developed and markets this portable, sustained low-pressure aspiration device, which facilitates the easy and safe drainage of bodily fluids following surgery. Weighing approximately 40%, or 89g, less and using nearly 63%, or 102g, less packaging materials than our traditional SB VAC®, we have succeeded in reducing product and packaging size and weight, with the creation of the compact, pocket-sized SB VAC SLIM®.

BIO-MATE® Plastic Sheets Derived from Plants

The transparent BIO-MATE® plastic sheets are made more than 50% by weight from biomass feed stock (polylactic acid) derived from corn and other plant sources. This contributes to lowering reliance on petroleum resources and decreases environment load by curtailing CO_2 emissions. BIO-MATE® plastic sheets are Biomass Mark-certified products by the Japan Organics Recycling Association.

MYKITCHEN® Polyethylene Chopping Boards

Sumitomo Bakelite has established a resource recycling system for recovering worn-out MYKITCHEN® polyethylene chopping boards from customers to be reused as a source material for making such products as planters and pipe pilings.

SUMIHAT® FAV Organic PVA Fiber Safety Helmets

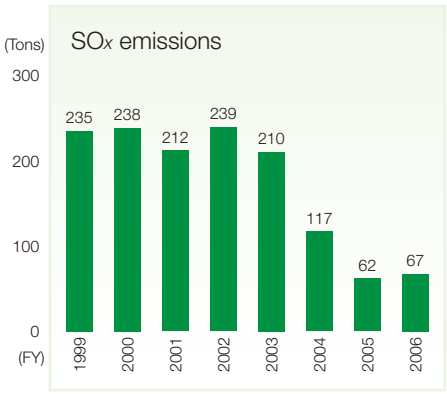
Sumitomo Bakelite has developed and marketed fiberglass-free FRP safety helmets and established a recycling system that facilitates heat recovery.

Reduction of Environmental Impact Substances

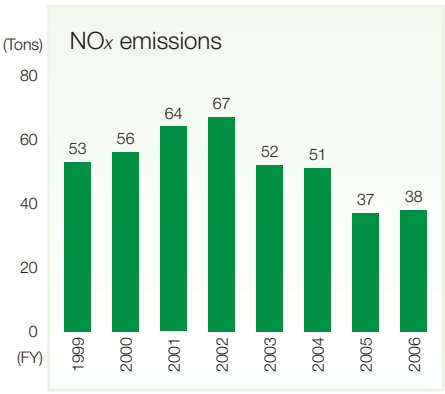
In the course of manufacturing activities, we strive to reduce the amount of environmental impact substances released into the air and water.

Air Emissions

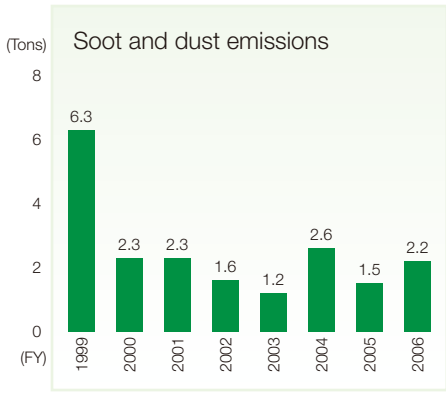
Sumitomo Bakelite strives to adhere to regulation levels based on national emissions standards, ordinances, and agreements made with local communities with regard to SO*x* and other smoke and soot generated by boilers and other manufacturing equipment. In August 2004, we began full operations of a cogeneration system at our Shizuoka Plant, achieving a major reduction in SO*x* emissions due to a fuel switch to natural gas from heavy oil.



Note: Data are compiled from all domestic business sites listed on page 8.



Note: Data are compiled from all domestic business sites listed on page 8.

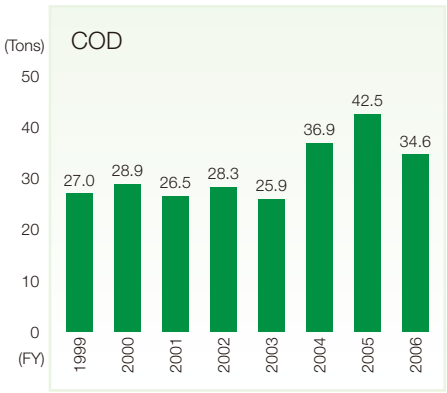


Note: Data are compiled from all domestic business sites listed on page 8.

Water Discharges

Factory water discharges are broadly classified into wastewater, which includes industrial wastewater and domestic wastewater, and rainwater, which includes coolant water. By recycling coolant water, we are working to curb the use of water resources and reduce our wastewater discharges. At the Nara Plant, we are further reducing our use of water resources through the installation of facilities that enable us to use rainwater as coolant water.

Regarding wastewater, we operate such treatment equipment as high-precision phenol recovery equipment, active sludge treatment equipment, and neutralizing and coagulating sedimentation equipment (metal removal treatment) and have established a regular surveillance system that uses surveillance devices in an effort to comply with national wastewater standards, ordinances, and agreements with local communities. Please note that although COD levels were higher in fiscal 2004 and fiscal 2005 than in previous years due to defective sludge settling in active sludge treatment equipment, this is being remedied through revisions in operating conditions.



Note: Data are compiled from all domestic business sites listed on page 8.

COD: Chemical oxygen demand.
An index of organic matter pollution in water that indicates the amount of oxygen consumed by the oxidizing agent potassium permanganate in the oxidation of organic matter in water.

Water recirculation equipment (Amagasaki Plant)

Rainwater treatment equipment (Nara Plant)

High-precision phenol recovery equipment (Shizuoka Plant)

Active sludge treatment equipment (Shizuoka Plant)

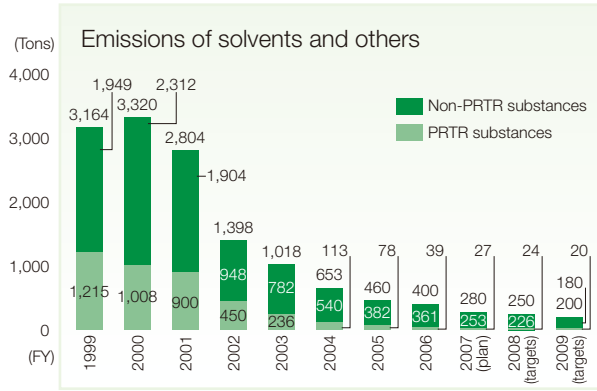
Reduction of Emissions of Solvents and Others

Since 1996, the Company has been involved in JCIA PRTR initiatives, keeping track of the release and transfer of certain substances and setting medium-term and long-term targets for improvement, focusing particularly on reducing its air emissions of solvents. The graph on the right shows the release of solvents and other chemical substances into the air since fiscal 1999.

Exhaust gas treatment facilities

Since fiscal 2002, we have been moving forward with measures to reduce emissions, including the planned installation of exhaust gas treatment facilities and the implementation of steps to reduce the amounts of solvents used. As a result, in fiscal 2006, we reduced emissions by approximately 87% from the fiscal 1999 level. Furthermore, the Company released 39 tons of chemical substances controlled by the PRTR Law (PRTR System*) into the air, approximately 97% less than in fiscal 1999.

The amounts of the 28 PRTR Law-controlled substances released and transferred by the Company are shown in the chart below.



Note: Data are compiled from all domestic business sites listed on page 8.

Transfer and Release of Substances Subject to the PRTR Law (fiscal 2006 performance)

(unit: tons)

Government order number	Substance	Amount used (manufactured)	Amount released			Amount transferred	
			Into air	Into water	Into soil	As waste matter	As sewage
1	Zinc compounds (water-soluble)	34	0	0	0	1.1	0
15	Aniline	137	0	0	0	0.2	0
25	Antimony and its compounds	131	0	0	0	5.9	0
29	Bisphenol A	274	0	0	0	0	0
30	Bisphenol A-type epoxy resin (liquid)	886	0	0	0	0.7	0
43	Ethylene glycol	895	0	0	0	13	0
44	Ethylene glycol monoethyl ether	35	0	0	0	0	0
45	Ethylene glycol monomethyl ether	189	12	0	0	15	0
63	Xylene	35	1.6	0	0	0.4	0
64	Silver and its water-soluble compounds	16	0	0	0	0	0
67	Cresol	1,729	0.1	0	0	0.9	0
104	Salicylaldehyde	3	0	0	0	0	0
172	N,N-dimethyl formamide	706	3.8	0	0	16	0
176	Organic tin compounds	64	0	0	0	3.2	0
177	Styrene	9	0.6	0	0	0	0
198	Hexamethylenetetramine	1,123	0	0	0	18	0
202	Tetrahydromethylphthalic anhydride	161	0	0	0	0	0
207	Copper salts (water soluble, except complex salts)	(55)	0	0.4	0	0	0
227	Toluene	356	16	0	0	15	0
232	Nickel compounds	3	0	0	0	0.1	0
242	Nonylphenol	2	0	0	0	0	0
243	Barium and its water-soluble compounds	111	0	0	0	0	0
266	Phenol	27,027	2.9	0	0	19	0
272	Bis (2-ethylhexyl) phthalate	84	0	0	0	0.4	0
300	1,2,4-benzenetricarboxylic 1,2-anhydride	19	0	0	0	1.5	0
304	Boron and its compounds	16	0	0	0	0.5	0
310	Formaldehyde	13,200	1.8	0	0	23	0
		(17,932)	0.1	0	0	0	0
354	Tri-n-butyl phosphate	3	0	0	0	0	0

: Class I designated chemical substances

* Pollutant Release and Transfer Register (PRTR) System: System whereby businesses that handle various harmful chemical substances designated by the Law Concerning Reporting, etc., of Releases into the Environment of Specific Chemical Substances and Promoting Improvements in Their Management collect data regarding the release of such substances into the environment and make voluntary improvements to their management of such chemicals, thereby preventing damage to the environment caused by chemical substances.

CO_2 Emissions and Energy Conservation

Sumitomo Bakelite implements energy conservation activities and strives to reduce CO_2 emissions.

Global warming resulting from greenhouse gases, such as CO_2, is cited as a cause of climate change exemplified by abnormal weather patterns and rising temperatures and is now seen as the problem that threatens the foundations of human survival. The Sumitomo Bakelite Group has been working to reduce CO_2 emissions through a variety of energy conservation initiatives.

The commencement of full-fledged operations of a cogeneration system installed at the Shizuoka Plant in August 2004 contributed to Groupwide reductions in energy use and CO_2 emissions.

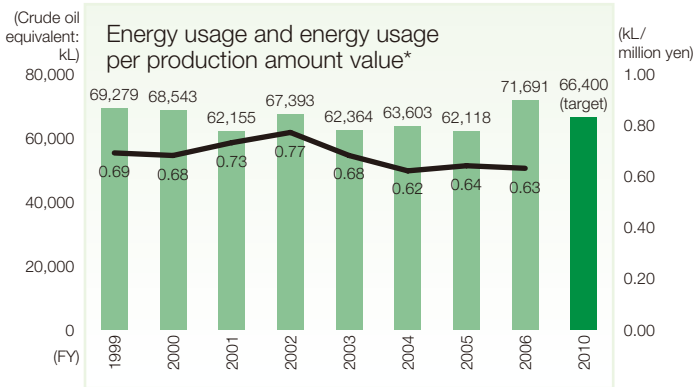
This cogeneration system can reduce CO_2 emissions by enhancing energy conversion efficiency by generating electricity via gas turbine power generation using natural gas for combustion while employing the exhaust heat from this process to create steam. In addition, we were able to reduce the amount of electricity used by installing a steam turbine compressor in July 2006 that uses energy released when the high-pressure vapor generated in the cogeneration system is reduced to a normal pressure level and ceasing operation of existing compressors.

Moreover, both the Amagasaki and Shizuoka plants were able to reduce emissions of CO_2, along with SO*x* and soot and dust, by switching from heavy oil to utility gas for boiler fuel. The building in which Sumitomo Bakelite's Head Office is located has been selected by Japan's Ministry of the Environment to receive subsidies under a program wherein grants are provided to facilities establishing voluntary greenhouse gas reduction targets. The implementation of variable flow control in accordance with air-conditioning load and other efforts at the building should reduce its CO_2 emissions.

Cogeneration system (Shizuoka Plant)

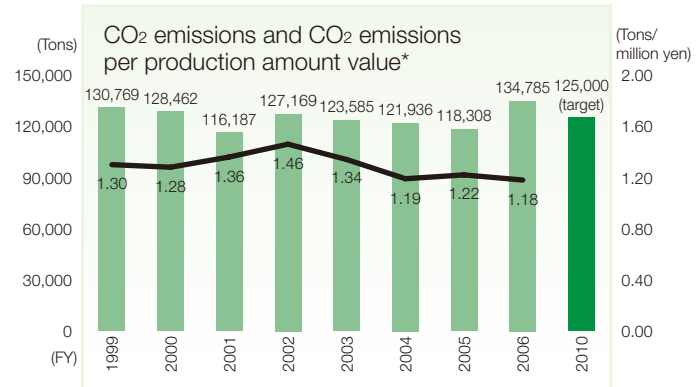
Steam turbine compressor (Shizuoka Plant)

Boiler converted to utility gas (Amagasaki Plant)



*Energy usage per production amount value is determined using the following equation: Energy usage per production amount value = energy usage / (production amount x unit price)

Notes: 1. Data are compiled from all domestic business sites listed on page 8.
2. Starting from fiscal 2006, calculations of production amount value include Sunbake Co., Ltd., Decolanitto Co., Ltd., Shizuoka Office, Kanuma Plant, Nara Plant, Kyodo Co., Ltd., and Y-Techs Co., Ltd.



* CO_2 emissions per production amount value are determined using the following equation: CO_2 emissions per production amount value = CO_2 emissions / (production amount x unit price)

Notes: 1. Data are compiled from all domestic business sites listed on page 8.
2. Starting from fiscal 2006, calculations of production amount value include Sunbake Co., Ltd., Decolanitto Co., Ltd., Shizuoka Office, Kanuma Plant, Nara Plant, Kyodo Co., Ltd., and Y-Techs Co., Ltd.

In fiscal 2006, the addition of business sites on which data are compiled resulted in about a 16 kiloton increase in CO_2 emissions compared with the previous year's level, but we continue to proceed with various sorts of energy conservation initiatives, including the following, so as to keep reducing our CO_2 emissions.

1. Installation of inverter controllers for pumps, fans, compressors, and others
2. Water cooling of outdoor air-conditioning units
3. Installation of an energy-saving static capacitor
4. Installation of energy-saving water-cooling chillers
5. Installation of energy-saving lighting fixtures
6. Installation of energy-saving controllers
7. Maintenance of air-conditioning equipment
8. Refurbishment and maintenance of cooling towers
9. Recovery of steam from steam drains
10. Spot repairs of steam and air leaks
11. Removal of unnecessary pipes
12. Installation of energy-saving molding machines
13. Application of insulation coating to roofs and tanks
14. Reduction of air-conditioned space through rearrangement and cleaning up the workplace

Water cooling of outdoor air-conditioning units

We reduced the amount of electricity used by improving the thermal efficiency of outdoor air-conditioning units by spraying them with water. (Utsunomiya Plant)

Installation of an energy-saving static capacitor

We reduced the amount of electricity used by operating motors and took measures to correct distortions of electrical waveform. (Kanuma Plant)

Installation of energy-saving water-cooling chillers

We reduced the amount of electricity used by improving heat-exchange efficiency through shape refinements of heat-exchange equipment and fans. ((Akita Sumitomo Bakelite Co., Ltd.)

Installation of energy-saving lighting fixtures

We reduced the amount of electricity used by installing lighting fixtures with inverter controls. (Amagasaki Plant)

Installation of energy-saving controllers

We reduced the amount of electricity used by putting air-conditioning compressor units in action intermittently through constant monitoring. (Utsunomiya Plant)

Installation of photovoltaic facility

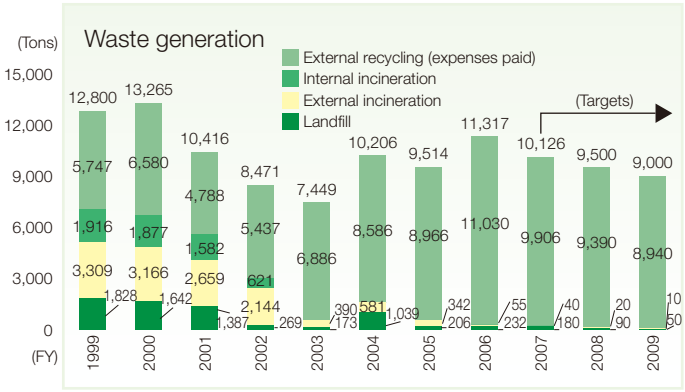
To draw on a source of natural energy, we installed film-type solar cell modules integrated in waterproof sheets on the roofs of factories and office buildings. (Nara Plant)

Waste Disposal

The Sumitomo Bakelite Group aims to reduce waste generation and achieve zero waste emissions.

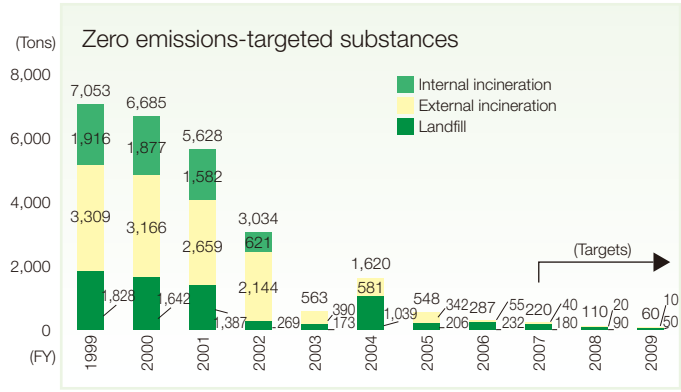
In its waste reduction efforts, the Sumitomo Bakelite Group focuses on improving yield in manufacturing processes and controlling waste generation by recycling within those processes. Furthermore, with regard to waste generation, we are aiming to achieve “zero emissions,” recycling all waste and thereby avoiding the use of landfills or incineration without energy recovery.

The graphs below entitled “Waste generation” and “Zero emissions-targeted substances” show our progress and targets. Since fiscal 2000, we have steadily reduced waste generation by improving yield, implementing recycling, and converting waste into valuable resources. Total waste generation for fiscal 2004 and 2006 exceeded 10,000 tons owing to the new addition of data for the Suzuka Plant of Decolanitto Co., Ltd., from fiscal 2004 and for the Kanuma Plant, Nara Plant, Kyodo Co., Ltd., and Y-Techs Co., Ltd., from fiscal 2006. We will systematically reduce total waste generation going forward by taking steps at all business sites to reduce emissions at the source and promote recycling. Total generation of zero emissions-targeted substances fell below 300 tons thanks, in particular, to reductions at the Suzuka Plant of Decolanitto Co., Ltd., and Akita Sumitomo Bakelite Co., Ltd.



Note: Data are compiled from all domestic business sites listed on page 8.

Waste consists of the amount of landfilled waste, externally incinerated waste, internally incinerated waste, and externally recycled waste (expenses paid).



Note: Data are compiled from all domestic business sites listed on page 8.

Zero emissions-targeted substances include landfill waste, externally incinerated waste, and internally incinerated waste.

The number of zero emissions-certified sites in Japan has increased to eight.

Following the certification of Yamaroku Kasei Industry Co., Ltd., in fiscal 2002, the Amagasaki Plant and Kyushu Bakelite Industry Co., Ltd., in fiscal 2003, the Utsunomiya Plant, the Tsu Plant, and the Fundamental Research Laboratory in fiscal 2004, and the Shizuoka Plant in fiscal 2005, Artlite Kogyo Co., Ltd., was internally certified as a zero emissions business site in fiscal 2006. As a result, 8 of our 17 domestic business sites have achieved zero emissions-certified status. In addition, among our overseas business sites, Sumitomo Bakelite (Taiwan) Co., Ltd., achieved zero emissions-certified status in fiscal 2005.

The following section presents the comments of an employee in charge of zero emissions initiatives.

Artlite Kogyo Co., Ltd.

Production Engineering Dept.
Takuzo Kisa

"Artlite Kogyo has manufactured phenolic resin and epoxy resin laminates since 1931. Since these resins are thermoset, chemical recycling is difficult. The Company has for some time been reusing scrapped laminates as filler for molding materials and converting the waste fluid into fuel. For the Company, the final barrier to achieve zero emissions-certified status was thus recycling wastepaper, office supplies, and other nonindustrial waste, such as plastic waste. Key to achieving this was to get employees on board to put targeted items into the proper recycling containers. Even though the recycling team explained how to separate these items with easy-to-understand illustrations, we encountered substantial resistance at first from employees who complained separating out these items was tiresome or that said they did not have the time to do such things, and frequently the targeted items were not brought to the designated areas. Determined not to give in, the recycling team took steps to ensure that all employees took the recycling program seriously, making snap inspections of the trash in garbage boxes, bringing targeted items that were found in improper garbage boxes to the emission department to reprimand offenders, and putting out the same shallow open-topped cardboard garbage boxes that allowed everyone to easily see the contents in every office and work site. Moreover, the recycling team repeatedly held instructional sessions using trash found on-site at each office and work site and encouraged employees to not buy what would be thrown away, to return purchases to where they were bought, and to take home what they bring to work. Using zero emissions status as impetus, we will strive to maintain the recycling system, promote proper waste management, and move forward toward innovative production activities that do not generate waste."

Elimination of Dioxins

Waste incinerators may generate dioxins, depending on incineration conditions. As the Law Concerning Special Measures against Dioxins and the Waste Management and Public Cleaning Law tightened incinerator regulations, Sumitomo Bakelite shut down or suspended operations of all of its 12 incinerators subject to the laws by November 30, 2002. Since then, the incinerators have been gradually dismantled, and the final remaining incinerator was removed in February 2006.

Recycling

Sumitomo Bakelite promotes recycling for the efficient use of resources.

Regarding recycling initiatives, Sumitomo Bakelite has been recovering and reusing phenols recovered from phenolic resin reaction effluent, pulverizing phenolic resin laminates and melamine resin decorative laminates for use as a filler in phenolic resin molding compounds, and reusing sprue and runner—by-products of molded products—as raw materials.

Other examples of recycling initiatives include:

- Reuse of epoxy resin and phenolic resin molding compound waste as raw material and fuel for cement
- Reuse of waste isopropyl alcohol and acetone via distillation at the Company
- Reuse of recovered crude methanol as supplementary fuel for the Company's boilers
- Recovery of copper from organic and inorganic sludge as well as copper circuit etching waste liquid
- Paper recycling via the repulping of raw material bags and paper waste
- Recovery and reuse of plastic cutting boards
- Reuse of film and sheet materials as recycled products (trays, mats, planters, etc.)
- Use of excess activated sludge as fertilizer following wastewater treatment
- Composting of shredded paper
- Recovery of copper from melted copper clad laminate discard
- Utilization of refuse paper and plastic fuel
- Separation and recovery of metal and waste plastic from plastic-molding products containing metal parts
- Complete breakdown and liquefaction of raw organic garbage or use as fertilizer
- Pulverization of special melamine resin decorative laminate scraps to enable reuse as a raw material
- Reuse of wastewater treatment equipment sludge as a raw material for cement

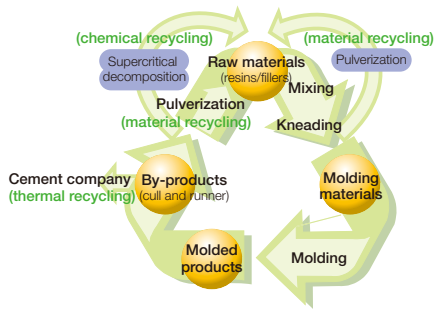
Distillation recovery equipment for waste isopropyl alcohol

Recovery of copper from copper-clad laminates and cutting powder

Experiment focusing on the microbial treatment of plant effluent

Established in 1992 to promote waste recycling, S.B. Recycle Co., Ltd., is developing more efficient recycling technologies, conducting research on the reuse of by-products, and establishing waste recovery and treatment systems for plastic waste generated by customers. This company is also engaged in research on the use of microorganisms in phenol and plastic biodegradation. S.B. Recycle aims to employ the microbial treatment of dehydrate derived from phenolic resin reactions and the bioremediation of phenol-contaminated soil.

Recycling System for Phenolic Resin Molding Compound



Chemical Recycling of Phenolic Resin Products

Historically, the recycling of phenolic resin products has been limited to thermal recycling applications, including reuse as raw fuel. However, we have established a project team that has been working to develop and put into practical use chemical recycling processes that enable reuse as high-value-added chemical raw materials. Thanks to their efforts, the team has succeeded in developing the world's first chemical recycling method for phenolic resin products that employs supercritical fluid technology. In July 2005, this method received recognition for its superiority and innovativeness with its selection as a subsidized project by the New Energy and Industrial Technology Development Organization (NEDO). As one part of this subsidized project, we finished building a demonstration plant with substantial processing capacity on the premises of the Shizuoka Plant in March 2007. At present, we are pressing ahead with the development of mass production at the demonstration plant with the aim of early practical use and commercialization of the recycling method.

Chemical Product Safety

Sumitomo Bakelite takes environmental, safety, and health issues into consideration throughout all stages of the product life cycle—from development through disposal.

Development ► Production ► Distribution ► Use ► Final consumption ► Disposal and recycling

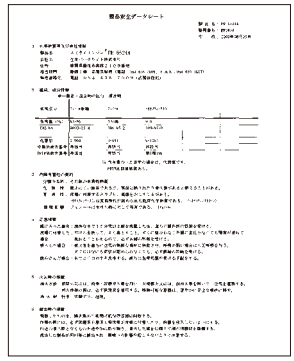
Prior Assessment of New Raw Materials

Sumitomo Bakelite evaluates raw materials to be newly used in product development from the standpoint of regulations in Japan and overseas, hazardous property data, and other important factors and has in place a framework for screening and registering such materials. For use as part of assessment criteria, we have established lists of banned substances and substances for which use is restricted.

A Green Partner certificate

Green Procurement and Supplying Safe Products

Consideration with regard to the chemicals contained in products throughout all stages of their life cycles, including use and disposal, has become a necessity. In Europe, restrictions on the use of cadmium, mercury, lead, hexavalent chromium, and other specified chemical substances designed to prevent environmental pollution from product waste have come into effect. Response to environmental issues, primarily in the electronics and automotive industries, is on the rise not only in Europe but also in the United States and China. In fact, such measures are gaining ground on an international level. As a “Green Partner” to customers, the Sumitomo Bakelite Group is working with its customers to manage regulated chemical substances and plan the development and provision of products that do not harm the natural environment, even after their disposal. We are examining substances targeted by the new EU Regulation for Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) that regulates chemicals in the region after coming into force on June 1, 2007, so as to proceed with registration of such substances and are working to comply with REACH through cooperation with organizations in the region.


A sample MSDS

Supplying Chemical Substance Data

The Material Safety Data Sheet (MSDS) is a data sheet that provides information to users of chemical substances and products to ensure safe use and handling.

We require that MSDSs be provided for all raw materials procured by the Group and always available at the site where raw materials are handled and conduct MSDS-based safety training for employees. In the case of chemical products, Japan’s Industrial Safety and Health Law was revised in accordance to the Globally Harmonized System of the classification and labeling of chemicals (GHS), and the amended version of this law came into force on December 1, 2006. In response, the Group has revised labeling attached to products containing GHS-listed chemical substances that are shipped to domestic sites. Furthermore, ahead of the impending adoption of GHS by countries around the world from 2008, we are revising the labeling and MSDSs for all products.


A sample GHS

Asbestos Handling, PCB Management, and Responses to Environmental Complaints

Asbestos Handling

In the past, the Sumitomo Bakelite Group used asbestos as a raw material in such products as molding material and decorative laminate; however, we stopped using asbestos in 1994. In addition, we offer periodic medical examinations for employees who previously handled asbestos, and, to date, we have not verified any health problems due to asbestos. By the end of 2006, we finished countermeasure work, which commenced in fiscal 2005, to remove asbestos in plant buildings and facilities at risk for its release. In addition, we have ceased using it in new product gaskets, seals, and other items that previously contained asbestos, and we are promoting the systematic replacement of these with substitutes.

Asbestos removal

PCB Management

At present, 10 Sumitomo Bakelite business sites are using or storing electric machinery (capacitors and transformers) that contains PCBs. The stored capacitors are strictly managed in special storage units to ensure that PCBs do not leak and are not lost; however, we will make use of the Japan Environmental Safety Corporation's disposal facilities to systematically dispose of this equipment. Furthermore, we ceased using lighting fixtures that use PCB stabilizers at the end of 2004 and plan to systematically dispose of these lighting fixtures in the same way.

PCB-Containing Electric Machinery

Site	Units in use	Units in storage
Amagasaki Plant	0	3
Shizuoka Plant	3 (3)	65 (3)
Utsunomiya Plant	1 (1)	0
Tsu Plant	4	0
Kanuma Plant	0	1 (1)
Nara Plant	0	20
Artlite Kogyo Co., Ltd.	3 (3)	0
Hokkai Taiyo Plastic Co., Ltd.	0	2
Yamaroku Kasei Industry Co., Ltd.	1 (1)	5 (1)
Suzuka Plant, Decolanitto Co., Ltd.	0	2
Total	12 (8)	98 (5)

Note: Figures in parentheses are the number of transformers containing small amounts of PCBs.

Lighting Fixtures with PCB Stabilizers

Site	Units in use	Units in storage
Fundamental Research Laboratory	0	123
Amagasaki Plant	0	39
Shizuoka Plant	0	322
Tsu Plant	0	131
Kanuma Plant	0	83
Artlite Kogyo Co., Ltd.	0	7
Total	0	705

Note: In addition, an 18-liter can containing PCBs and PCB-contaminated waste clothes, etc., is being stored at the Shizuoka Plant.

PCB storage

Responses to Environmental Complaints

Each Group business site has established rules for responding to environmental complaints to ensure appropriate responses. In fiscal 2006, there were six complaints, all of which are detailed below.

Category	Date	Business site	Complaint	Cause and response
Odor	Sept. 2006	Shizuoka Plant	A local resident reported a chemical odor.	A plant representative promptly visited the resident's home to confirm the odor. While the representative was not able to detect any smell, the direction of the wind indicated the Company's plant was the source, and the representative asked the resident to report any similar odors should they be detected in the future. There have been no complaints since.
Odor	Sept. 2006	Shizuoka Plant	A local resident reported a solvent odor.	A plant representative promptly visited the resident's home to confirm the odor, but was not able to detect any smell. The representative asked the resident to report any similar odors should they be detected in the future. There have been no complaints since.
Noise	Apr. 2006	Kyushu Bakelite Industry Co., Ltd.	There was a report that a low booming noise had become disturbing and was keeping the caller awake.	Since some materials got stuck in a blower, it was overhauled and its silencer was cleaned. Sound measurement tests after this verified the noise was reduced. After hearing an explanation of the cause of the problem and the steps taken to address it, we brought the issue to a close.
Noise	Aug. 2006	Tsu Plant	There was a report that the noise made by outside equipment was so loud the caller could not sleep.	The noise came from an obsolete cooling tower, and after refurbishing it, sound measurement tests showed the noise level had decreased. There have been no complaints since.
Noise	Jan. 2007	Shizuoka Plant	Three neighboring residents reported irregular noise.	The callers understood the reason after a plant representative explained to them this sound is made by the cogeneration system boiler's steam valve and did not signal any problems. Steps were taken to make improvements to the safety valve.
Other	Sept. 2006	Shizuoka Plant	An unnamed local resident called to report that children playing on a sidewalk alongside the plant were stung by caterpillars and demanded that caterpillars in cherry trees in the area be exterminated.	Tree branches that extended outside of the premises of the plant were trimmed. We could not report this to the anonymous caller.

Audits, Education, and Training

Audits

Every year since 1973, the Company's Environment, Safety & Recycling Department has conducted environment and safety audits of all Company facilities. In 1978, the scope of these audits was expanded to include domestic affiliates.

The scope was further expanded in 1993 to include overseas affiliates in Asia that engage in manufacturing activities.

Based on the principles of Responsible Care, the paper and site audits cover the maintenance and improvement of environmental and safety management as well as compliance with applicable laws and regulations. Each business site periodically conducts an internal audit to promote maintenance and improvements based on an environmental management system compliant with ISO 14001.

Environment and safety audits conducted by the Environment, Safety & Recycling Department

Fiscal 2006 Environment and Safety Audit Results (Scope: 4 plants, 2 research laboratories, and 7 domestic affiliates)

	Number of instances	Correction status (As of August 2007)
Action pointed out	14	Situations corrected
Action advised	34	Situations corrected
Action demanded	29	Situations corrected

Fiscal 2006 ISO 14001 Audit Results (Scope of audits includes all domestic business sites listed on page 8)

Audit by approved external organization	Initial audit	Not applicable
	Maintenance audit	Registration maintained at 13 business sites
Internal audits		Conducted at 13 business sites

Environmental Education and Training

Each business site carries out training in a planned and continuous manner, based on annual employee education plans for environmental education according to level of experience for all employees, from new recruits and mid-career employees to veteran employees. Principal topics include: environmental issues relevant to the company or business site; business site and departmental environmental policies as well as environmental objectives and targets; the handling of hazardous materials, organic solvents, and toxic substances; and the handling of chemical substances based on MSDSs.

In recent years, e-learning has been made available for employees that provides instruction on the handling of hazardous materials and waste management.

Energy conservation education (Shizuoka Plant)

Environment education (P.T. Indopherin Jaya)

Environmental and Safety Measures in Distribution

We are working with logistics companies on environmental and safety measures pertaining to shipping operations.

The Sumitomo Bakelite Group is cooperating with logistics companies to reduce the environmental impact of shipping operations through the following measures.

1) Promotion of a modal shift

We are promoting a shift from trucks to railways for the transport of products between Akita and Shizuoka.

2) Promotion of site-based shipping

In transporting items from Amagasaki to the Kanto region, a fully loaded truck will regularly drop off shipments at business sites, which will then deliver items to end users.

3) Measures to eliminate vehicle idling (Initiative by Hoitechno Logistics Co., Ltd.)

Using digital tachographs installed on all vehicles, our partners conduct thorough driving management, including the elimination of vehicle idling.

In April 2006, the Law Concerning the Rational Use of Energy was revised, calling for businesses consigning freight transport to carriers to implement energy conservation measures as the cargo owner. In fiscal 2006, our freight shipment volume at the non-consolidated level came to 30.30 million tons, and we are working together with freight transport carriers to reduce the environmental impact (CO_2 emissions) of our shipments as the designated cargo owner.

Furthermore, we are advancing the initiatives below to prevent loading and unloading accidents, on-site cargo accidents, and transport accidents.

1) Periodic safety meetings　2) Checks for yellow cards

3) Implementation of safety education through Safe Driving Cards (Initiative by Hoitechno Logistics Co., Ltd.)

Soil and Groundwater Contamination Assessments

Contamination of soil and groundwater at a vacant lot of Sano Plastic Co., Ltd.

We inspected the soil and groundwater on the entire premises of a site owned by Sumitomo Bakelite subsidiary Sano Plastic Co., Ltd.*1 following the dismantling of a factory building there. The inspections detected trichloroethylene and other substances in excess of the environmental quality standard, in both the site's soil and groundwater*2. Moreover, inspections of the groundwater in areas surrounding the site also detected trichloroethylene in excess of the allowable limit in some well water*3. To make the results of the survey known, we gave a report immediately to the local government authorities and explained the results to the neighborhood community association. Please note that no health issues have been confirmed thus far. At present, a more detailed survey is in progress covering the entire grounds where the plant was located to determine the extent of the contamination, and we are scheduled to proceed with appropriate measures based on the results of this more detailed survey (beginning in November).

*1. 213 Kubocho, Sano City, Tochigi Prefecture: Plastic-molded parts were manufactured at this site from August 1968 through June 2002. The factory on this site was closed in August 2002 and is in liquidation.

*2. See page 28 for measurement results.

*3. The largest values detected were 0.31mg/L for trichloroethylene (versus an environmental quality standard of 0.03mg/L) and 0.28mg/L for cis-1, 2-dichloroethylene (0.04mg/L).

Sumitomo Bakelite conducts inspections of soil and groundwater contamination.

The results of inspections of prior inspections of soil and groundwater at business sites are shown below.

<Soil>

Business site and inspection month and year / Substance inspected	Fundamental Research Laboratory May 2004	Amagasaki Plant November 2006	Shizuoka Plant February 1999	Utsunomiya Plant August 2006	Tsu Plant February 2000	Akita Sumitomo Bakelite Co., Ltd. August 2006	Sumibe Techno Plastic Co., Ltd. (Kitsuregawa) May 2007	Yamaroku Kasei Industry Co., Ltd. February 2001	The Sano Plastic Co., Ltd., grounds December 2006 to August 2007
Cadmium		○			○				○
Total cyanide				○	○				○
Organic phosphorus					○				
Lead		○			○	*2			○
Hexavalent chromium		○			○				○
Arsenic		○**1			○				0.015 (0.01)
Total mercury		○**1		○	○				○
Alkyl mercury				○	○				
PCBs					○				○
Copper					○*1				
Dichloromethane	○			○	○		○		
Carbon tetrachloride				○	○		○		
1,2-dichloroethane	○			○	○		○		
1,1-dichloroethylene				○	○		○		○
Cis-1,2-dichloroethylene				○	○		○		11 (0.04)
1,1,1-trichloroethane	○			○	○		○		○
1,1,2-trichloroethane				○	○		○		
Trichloroethylene	○		○	○	○		○		1.3 (0.03)
Tetrachloroethylene	○			○	○		○		○
1,3-dichloropropene				○	○		○		
Thiuram					○				
Simazine					○				
Thiobencarb					○				
Benzene				○	○		○		
Selenium					○				○
Fluorine				○					○
Boron				○					○
Phenols						○**2		○	

**1 June 2006 (Est.)　　**2 June 2005 (Est.)

<Groundwater>

Business site and inspection month and year / Substance inspected	Fundamental Research Laboratory December 2006	Amagasaki Plant November 2006	Shizuoka Plant October 2006	Utsunomiya Plant August 2006	Tsu Plant February 2000	Akita Sumitomo Bakelite Co., Ltd. September 2006	Artlite Kogyo Co., Ltd. April 2007	Sumibe Techno Plastic Co., Ltd. (Kitsuregawa) May 2007	Yamaroku Kasei Industry Co., Ltd. March 2006	The Sano Plastic Co., Ltd., grounds December 2006 to August 2007
Cadmium		○	○**4	○	○			○	○	
Total cyanide		○	○**4	○	○	○**5		○		
Lead		○	○**4	○	○	○		○	○	
Hexavalent chromium		○	○**4	○	○			○	○	
Arsenic		○	○**4	○	○			○	○	○
Total mercury			○**4	○	○			○	○	
Alkyl mercury				○	○			○		
PCBs				○	○			○		
Dichloromethane	○		○**4	○	○		○	○	○	
Carbon tetrachloride		○**3	○**4	○	○		○	○	○	
1,2-dichloroethane	○		○**4	○	○		○	○	○	
1,1-dichloroethylene		○**3	○**4	○	○		○	○	○	0.38 (0.02)
Cis-1,2-dichloroethylene		○**3	○**4	○	○	○**5	○	○	○	160 (0.04)
1,1,1-trichloroethane	○	○**3	○**4	○	○	○**5	○	○	○	1.5 (1)
1,1,2-trichloroethane			○**4	○	○		○	○	○	
Trichloroethylene	○	○**3	○**4	○	○		○	○	○	27 (0.03)
Tetrachloroethylene	○	○**3	○**4	*3	○	○**5	○	○	○	0.04 (0.01)
1,3-dichloropropene			○**4	○	○		○	○	○	
Thiuram			○**4	○	○			○	○	
Simazine			○**4	○	○			○	○	
Thiobencarb			○**4	○	○			○	○	
Benzene			○**4	○	○		○	○	○	
Selenium			○**4	○	○			○	○	
Nitrate-nitrogen and nitrite-nitrogen			○					○		
Fluorine			○**4	○				○	○	
Boron			○	○				○	○	
Organic phosphate compounds				○						
Copper			○			○**5			○	
Phenols			○			○**5			○	

**3 June 2006 (Est.)　**4 May 2003 (Est.)　　**5 June 2005 (Est.)

Note: For substances for which environmental quality standards have been established, a circle indicates that levels were below those standards; for those substances (phenols) for which standards have not yet been established, a circle indicates that levels were below the minimum determination limit.

*1 Extracted in the vicinity of a storehouse for hazardous substances. In February 2000, 230mg/kg of copper (the environmental standard for farmland is 125mg/kg) was detected, but it was concluded that waste oil that contained copper had leaked at the time of disposal. The results of follow-up inspections showed the level of copper had decreased to 29mg/kg as of 2006, but the Company plans to study cleanup measures.

*2 Samples were collected from four locations within the premises of the plant. In two locations, the amounts detected exceeded the environmental quality standard of 0.01mg/L, with the largest level detected coming to 0.02mg/L. We will continue to periodically measure and monitor for these substances.

*3 As was the case in the previous year, a trichloroethylene level of 0.012mg/L (environmental quality standard of 0.01mg/L) was detected in a well on the south side of the plant. While the level detected in the well north of the plant (upstream) fell below the environmental quality standard, the amount of trichloroethylene in the well water was 0.007mg/L. There is no record of past usage at the Utsunomiya Plant, and we presume that the source of contamination is somewhere upstream outside the premises of the plant.

Site-Specific Environmental Impact Data—Domestic Business Sites

The tables below provide environmental impact data related to air and water quality for each Sumitomo Bakelite business site in Japan.

Amagasaki Plant

<Air>

Facility	Item	Unit	Regulatory limit	Actual measurement
Boiler	SO_x	m^3N/h	2.93	0.07
	NO_x	ppm	250	69.9
	Soot and dust	g/m^3N	0.3	0.07

<Water>

Item	Unit	Regulatory limit	Actual measurement
pH	—	5.8–8.6	7.0–8.0
BOD	mg/L	25	10.0
COD	mg/L	25	6.1
Suspended solids	mg/L	20	8.6
n-hexane extract	mg/L	20	4.1

<Water> Released into sewers

Item	Unit	Regulatory limit	Actual measurement
pH	—	5.7–8.7	5.5–8.7*
BOD	mg/L	300	310*
Suspended solids	mg/L	300	280
n-hexane extract	mg/L	30	48*

* As wastewater, including detergents, was released into sewers, we reported this to the relevant authorities and also familiarized employees with the proper disposal method of wastewater.

Utsunomiya Plant

<Air>

Facility	Item	Unit	Regulatory limit	Actual measurement
Drying furnace	SO_x	m^3N/h	1.22	Less than 0.019
	Soot and dust	g/m^3N	0.2	Less than 0.001

<Water>

Item	Unit	Regulatory limit	Actual measurement
pH	—	5.8–8.6	7.6–7.9
BOD	mg/L	25	1.1
COD	mg/L	25	5.1
Suspended solids	mg/L	25	Less than 1
n-hexane extract	mg/L	5	Less than 1

Fundamental Research Laboratory

<Air> No relevant facilities

<Water> Released into sewers

Until October 2006

Item	Unit	Regulatory limit	Actual measurement
pH	—	5–9	—
n-hexane extract	mg/L	5	—
Copper	mg/L	3	0.11
Soluble iron	mg/L	10	0.3
Nickel	mg/L	1	Less than 0.05
Phenols	mg/L	0.5	Less than 0.05
Dichloromethane	mg/L	0.2	Less than 0.02
1,2-Dichloroethane	mg/L	0.04	Less than 0.004

From November 2006 (*Change in items measured through consultation with the City of Yokohama)

Item	Unit	Regulatory limit	Actual measurement
pH	—	5–9	7.7–8.0
Total cyanide	mg/L	1	Less than 1.0
Phenols	mg/L	0.5	Less than 0.05
Fluorine and its compounds	mg/L	10	Less than 1
Boron and its compounds	mg/L	8	5
n-hexane extract	mg/L	5	Less than 1
Dichloromethane	mg/L	0.2	Less than 0.02
1,2-Dichloroethane	mg/L	0.04	Less than 0.004

Shizuoka Plant

<Air>

Facility	Item	Unit	Regulatory limit	Actual measurement
Cogeneration boiler	NO_x	ppm	70.0	38
	Soot and dust	g/m^3N	0.05	—

* Soot and dust are measured once every five years.

<Water>

Item	Unit	Regulatory limit	Actual measurement
pH	—	5.8–8.6	7.0–7.7
BOD	mg/L	15	2.3
COD	mg/L	—	3.5
Suspended solids	mg/L	30	8.8
n-hexane extract	mg/L	3	Less than 0.5
Phenols	mg/L	1	Less than 0.05
Formaldehyde	mg/L	5	Less than 0.1

Tsu Plant

<Air> No relevant facilities

<Water> Released into sewers (From May 2006)

Item	Unit	Regulatory limit	Actual measurement
pH	—	5.0–9.0	6.3–7.8
BOD	mg/L	600	67
n-hexane extract (liquid petroleum)	mg/L	5	Less than 0.5
n-hexane extract (animal and plant oils)	mg/L	30	4.4
Suspended solids	mg/L	600	220
Total nitrogen	mg/L	240	19
Total phosphorus	mg/L	32	1.4
Ammoniacal nitrogen	mg/L	380	20
Nitrate-nitrogen as well as nitrite-nitrogen	mg/L	380	Less than 0.5

Kobe Fundamental Research Laboratory

<Air> No relevant facilities

<Water> Released into sewers

Item	Unit	Regulatory limit	Actual measurement
pH	—	5–9	7.4–7.7
BOD	mg/L	2,000	3.5
COD	mg/L	—	3
Suspended solids	mg/L	2,000	1.5
n-hexane extract	mg/L	5	Less than 1.0

Akita Sumitomo Bakelite Co., Ltd.

<Air>

Facility	Item	Unit	Regulatory limit	Actual measurement
Boiler	SO_x	m^3N/h	3.18	0.30
	NO_x	ppm	110	44
	Soot and dust	g/m^3N	0.09	Less than 0.01

<Water>

Item	Unit	Regulatory limit	Actual measurement
pH	—	6.0–8.5	6.9–7.4
BOD	mg/L	30	13.0
COD	mg/L	30	10.0
Suspended solids	mg/L	40	7.0
Phenols	mg/L	0.5	Less than 0.01
Copper	mg/L	1.0	0.67
Cyanide compounds	mg/L	0.1	Less than 0.01
Lead and its compounds	mg/L	0.1	Less than 0.01
Soluble manganese	mg/L	5	Less than 0.03

Sumibe Techno Plastic Co., Ltd. (Head Office Plant)

<Air> No relevant facilities

<Water>

Item	Unit	Regulatory limit	Actual measurement
pH	—	5.8–8.6	7.1–8.6
BOD	mg/L	20	5.1
COD	mg/L	—	9.0
Suspended solids	mg/L	50	23

Suzuka Plant, Decolanitto Co., Ltd.

<Air>

Facility	Item	Unit	Regulatory limit	Actual measurement
Boiler	SO_x	m^3N/h	3.57	0.10
	NO_x	ppm	150	85
	Soot and dust	g/m^3N	0.25	Less than 0.007

<Water>

Item	Unit	Regulatory limit	Actual measurement
pH	—	5.8–8.6	6.8–7.4
BOD	mg/L	130	65
COD	mg/L	130	37
Suspended solids	mg/L	130	2

Nara Plant

<Air>

Facility	Item	Unit	Regulatory limit	Actual measurement
Boiler	SO_x	m^3N/h	—	0.02
	NO_x	ppm	100	75
	Soot and dust	g/m^3N	0.10	0.008

<Water>

Item	Unit	Regulatory limit	Actual measurement
pH	—	5.6–8.4	6.4–7.4
BOD	mg/L	50	2.5
COD	mg/L	50	5.8
Suspended solids	mg/L	20	3.6

Kanuma Plant

<Air>

Facility	Item	Unit	Regulatory limit	Actual measurement
Boiler	NO_x	ppm	180	75
	Soot and dust	g/m^3N	0.30	0.012

Kyodo Co., Ltd

<Air> No relevant facilities

<Water>

Item	Unit	Regulatory limit	Actual measurement
pH	—	5.8–8.6	7.6–8.0
BOD	mg/L	25	Less than 2.0
Suspended solids	mg/L	90	Less than 2.0

Kyushu Bakelite Industry Co., Ltd.

<Air>

Facility	Item	Unit	Regulatory limit	Actual measurement
Boiler	SO_x	m^3N/h	0.63	0.21
	NO_x	ppm	180.00	46
	Soot and dust	g/m^3N	0.30	0.0091

<Water>

Item	Unit	Regulatory limit	Actual measurement
pH	—	5.8–8.6	7.1–7.4
BOD	mg/L	30	17.0
COD	mg/L	20	41.0*
Suspended solids	mg/L	20	8.0
n-hexane extract	mg/L	2	2.5*

* The floating oil in the cafeteria kitchen's grease trap flowed into the drain, and the levels of n-hexane extract and COD released exceeded the levels set under a pollution control agreement with Nogata City and other local authorities. This was immediately reported to public authorities, and we reviewed the maintenance methods used for the cafeteria kitchen's grease trap as well as its water monitoring system.

Artlite Kogyo Co., Ltd.

<Air>

Facility	Item	Unit	Regulatory limit	Actual measurement
Boiler	SO_x	m^3N/h	4.58	0.11
	NO_x	ppm	180	110
	Soot and dust	g/m^3N	0.30	0.002

<Water>

Item	Unit	Regulatory limit	Actual measurement
pH	—	5.8–8.6	6.2–7.1
BOD	mg/L	160	3.9
COD	mg/L	30	3.7
COD (total)	kg/day	27.1	1.5
Suspended solids	mg/L	200	3.0
n-hexane extract	mg/L	5	1.9
Phenols	mg/L	5	Less than 1
Total nitrogen	mg/L	40	5.7
Total phosphorus	mg/L	2	0.046

Yamaroku Kasei Industry Co., Ltd.

<Air> No relevant facilities

<Water>

Item	Unit	Regulatory limit	Actual measurement
pH	—	5.8–8.6	6.8–7.3
BOD	mg/L	25	2
COD	mg/L	25	4
Suspended solids	mg/L	90	4
Phenols	mg/L	5	Less than 0.01

Notes: 1. In cases where there are multiple facilities subject to regulations, we have listed the facility discharging the largest amount of gas emissions.
2. Regarding regulatory limits, we have listed the most stringent of municipal ordinances, community agreements, and administrative guidance.
3. Actual measurements are the largest values observed in fiscal 2006. Regarding pH, the lowest and highest values are listed.
4. Actual measurements listed as "less than" indicate a measurement smaller than the lowest measurable value.

Site-Specific Environmental Impact Data—Overseas Business Sites

The tables below provide environmental impact data related to air and water quality for each overseas Group business site.

Sumitomo Bakelite Singapore Pte. Ltd. (Singapore)
<Air> No relevant facilities
<Water>

Item	Unit	Regulatory limit	Actual measurement
pH	—	6–9	6.0–6.6
BOD	mg/L	400	220
COD	mg/L	600	360
Suspended solids	mg/L	400	46
Phenols	mg/L	0.5	0.14
Temperature	℃	45	28
Chlorine	mg/L	1,000	53
Sulfate	mg/L	1,000	43
Sulfur	mg/L	1	0.2
Cyanide compounds	mg/L	2	Less than 0.01
Linear alkylate sulphonate	mg/L	30	1
Oil and grease	mg/L	60	3
Arsenic and its compounds	mg/L	5	Less than 1
Barium	mg/L	10	Less than 1
Tin	mg/L	10	Less than 1
Soluble iron	mg/L	50	1
Beryllium	mg/L	5	Less than 1
Boron	mg/L	5	Less than 1
Soluble manganese	mg/L	10	Less than 1
Cadmium	mg/L	1	Less than 0.1
Chromium	mg/L	5	Less than 1
Copper	mg/L	5	Less than 1
Lead	mg/L	5	Less than 1
Mercury	mg/L	0.5	Less than 0.1
Nickel	mg/L	10	Less than 1
Selenium	mg/L	10	Less than 1
Silver	mg/L	5	Less than 1
Zinc	mg/L	10	Less than 1

P.T. Indopherin Jaya (Indonesia)
<Air> No measurement data
<Water>

Item	Unit	Regulatory limit	Actual measurement
pH	—	6–9	6.7–7.2
BOD	mg/L	100	38
COD	mg/L	300	105
Suspended solids	mg/L	100	35
Total nitrogen	mg/L	30	2.6
Phenols	mg/L	1	0.0

SNC Industrial Laminates Sdn. Bhd. (Malaysia)
<Air>

Facility	Item	Unit	Regulatory limit	Actual measurement
Exhaust gas combustion unit	SO_x	g/m³N	0.2	0.0540
	NO_x	g/m³N	2.0	0.0540
	Soot and dust	g/m³N	0.4	0.0160

SNC Industrial Laminates Sdn. Bhd. (Malaysia)
<Water>

Item	Unit	Regulatory limit	Actual measurement
pH	—	5.5–9.0	5.6–7.4
BOD	mg/L	50	30
COD	mg/L	100	96
Suspended solids	mg/L	100	15
Phenols	mg/L	1.0	Less than 0.1
Temperature	℃	40	29
Mercury	mg/L	0.05	Less than 0.02
Cadmium	mg/L	0.02	Less than 0.02
Hexavalent chromium compounds	mg/L	0.05	Less than 0.05
Arsenic	mg/L	0.10	Less than 0.05
Cyanide compounds	mg/L	0.10	Less than 0.05
Lead	mg/L	0.5	0.3
Trivalent chromium compounds	mg/L	1.0	Less than 0.1
Copper	mg/L	1.0	0.3
Soluble manganese	mg/L	1.0	0.2
Nickel	mg/L	1.0	0.3
Tin	mg/L	1.0	Less than 0.1
Zinc	mg/L	1.0	0.3
Boron	mg/L	4.0	Less than 0.2
Soluble iron	mg/L	5.0	1.1
Chlorine	mg/L	2.0	Less than 0.1
Sulfur	mg/L	0.50	Less than 0.4
Oil and grease	mg/L	10.0	Less than 5

Sumitomo Bakelite (Taiwan) Co., Ltd. (Taiwan)
<Air> No relevant facilities
<Water>

Item	Unit	Regulatory limit	Actual measurement
pH	—	6–9	7.3–7.8
BOD	mg/L	300	—
COD	mg/L	600	152
Suspended solids	mg/L	300	36

N.V. Sumitomo Bakelite Europe S.A. (Belgium)
<Air>

Facility	Item	Unit	Regulatory limit	Actual measurement
Boiler	NO_x	mg/m³N	425	187

<Water>

Item	Unit	Regulatory limit	Actual measurement
pH	—	6–9	6.2–8.4
BOD	mg/L	—	Less than 5
COD	mg/L	136	Less than 15
Suspended solids	mg/L	1,000	Less than 10
TOC	mg/L	50	0.82
Phenols	mg/L	3	Less than 1
Chlorendic acid	mg/L	3	Less than 0.1
Hexachlorocyclopentadiene	mg/L	0.005	Less than 0.005
Monochlorobenzene	mg/L	5	Less than 1
Total nitrogen	mg/L	15	Less than 0.07
Total phosphorus	mg/L	3	Less than 0.05

Sumitomo Bakelite Europe (Barcelona) S.L.U. (Spain)
<Air>

Facility	Item	Unit	Regulatory limit	Actual measurement
Diesel electric generator	SO_x	mg/m³N	4,300	Not detectable
	NO_x	ppm	300	71
	CO	ppm	500	11

Sumitomo Bakelite Europe (Barcelona) S.L.U. (Spain)

<Water>

Item	Unit	Regulatory limit	Actual measurement
pH	—	6–10	7.9–8.2
COD	mg/L	1,500	479
Suspended solids	mg/L	750	71
Phenols	mg/L	2	2
Formaldehyde	mg/L	—	Not detectable
Conductivity	μs/cm	5,000	4,100
Total chlorine	mg/L	2,000	543
Total sulfide	mg/L	5	1
Total phosphorus	mg/L	50	Not detectable

SB Flex Philippines, Inc. (Philippines)

<Air> No relevant facilities

<Water>

Item	Unit	Regulatory limit	Actual measurement
pH	—	6.5–9.0	7.0–8.5
BOD	mg/L	500	392
COD	mg/L	800	Not detectable
Suspended solids	mg/L	350	Not detectable

Sumitomo Bakelite Vietnam Co., Ltd. (Vietnam)

<Air>

Facility	Item	Unit	Regulatory limit	Actual measurement
Boiler	CO	mg/m^{3}N	1,500	278
	NO_x	mg/m^{3}N	2,500	15
	SO_x	mg/m^{3}N	1,500	76
	Soot and dust	mg/m^{3}N	600	46

<Water>

Item	Unit	Regulatory limit	Actual measurement
pH	—	5.5–9.0	6.3–7.41
BOD	mg/L	50	44.8
COD	mg/L	100	90.5
Suspended solids	mg/L	100	80
Copper	mg/L	1.0	0.972
Lead	mg/L	0.5	0.054
Nickel	mg/L	1.0	0.158
Soluble iron	mg/L	5.0	0.636

Durez Corporation (Kenton Plant) (U.S.A.)

<Air> No relevant facilities

<Water>

Item	Unit	Regulatory limit	Actual measurement
Phenols	μg/L	20.0	Less than 10

Durez Corporation (Niagara Plant) (U.S.A.)

<Air> No relevant facilities

<Water> Released into sewers

Item	Unit	Regulatory limit	Actual measurement
Phenols	lbs./day	35	10.3
Drainage volume	million gal/day	0.1	0.075
Suspended solids	lbs./day	75	20.6
Soluble organic carbon	lbs./day	800	620
Phosphorus	lbs./day	17	0.019
pH	—	5–10	5–10

Durez Canada Co., Ltd. (Fort Erie Plant) (Canada)

<Air> No measurement data

<Water>

Item	Unit	Regulatory limit	Actual measurement
pH	—	6–10.5	7.7–8.1
Suspended solids	mg/L	350	90
Phenols	mg/L	1.0	Less than 1.0

Sumitomo Bakelite Macau Co., Ltd. (China)

<Air>

Facility	Item	Unit	Regulatory limit	Actual measurement
Boiler	CO	mg/m^{3}N	—	230
	CO_2	%	—	6.5
	NO_x	mg/m^{3}N	—	19
	SO_x	mg/m^{3}N	—	143
	Soot and dust	mg/m^{3}N	—	21

<Water>

Item	Unit	Regulatory limit	Actual measurement
PH	—	6–9	7.3–9.8*
BOD	mg/L	40	7.5
COD	mg/L	150	66
Total suspended solids	mg/L	60	97*
Oil and grease	mg/L	15.0	Less than 10
Phenol	mg/L	0.5	Less than 0.1
Lead	mg/L	1.0	0.010
Aluminum	mg/L	10.0	Less than 3
Arsenic	mg/L	1.0	0.004
Cadmium	mg/L	0.2	Less than 0.05
Copper	mg/L	1.0	Less than 0.1
Iron	mg/L	2.0	2.5*
Manganese	mg/L	2.0	0.08
Mercury	mg/L	0.05	Less than 0.001
Zinc	mg/L	5.0	0.24
Nickel	mg/L	2.0	Less than 0.2
Selenium	mg/L	0.5	Less than 0.001
Carbon compounds	mg/L	1.0	2.4*
Hexavalent chromium	mg/L	0.1	Less than 0.01
Chromium	mg/L	2.0	Less than 0.2
Sulfide	mg/L	1.0	Less than 0.01
Sulfate	mg/L	2,000.0	33.0
Subsulfate	mg/L	1.0	0.2
Phosphorus	mg/L	10.0	0.49
Ammonia	mg/L	10.0	0.09
Cyanide compounds	mg/L	0.5	Less than 0.1
Total nitrogen	mg/L	15.0	1.9
Nitrate	mg/L	50.0	0.79
Detergent	mg/L	2.0	Less than 0.1
Acetaldehyde	mg/L	1.0	Less than 0.1
HCH	mg/L	2.0	Less than 0.002
DDT	mg/L	0.2	Less than 0.002
PCP	mg/L	1.0	Less than 0.002
HCB	mg/L	1.0	Less than 0.002
HCBD	mg/L	1.5	Less than 0.002
CBNTET	mg/L	1.5	Less than 0.001
Chloroform	mg/L	1.0	Less than 0.001
Tetrachloroethylene	mg/L	1.5	Less than 0.001
Aldrin	μg/L	2.0	Less than 2.0
Endrin	μg/L	2.0	Less than 2.0
Dieldrin	μg/L	2.0	Less than 2.0
Isodrin	μg/L	2.0	Less than 2.0

These levels were affected by drain repair work and thereafter were below the regulatory limit.

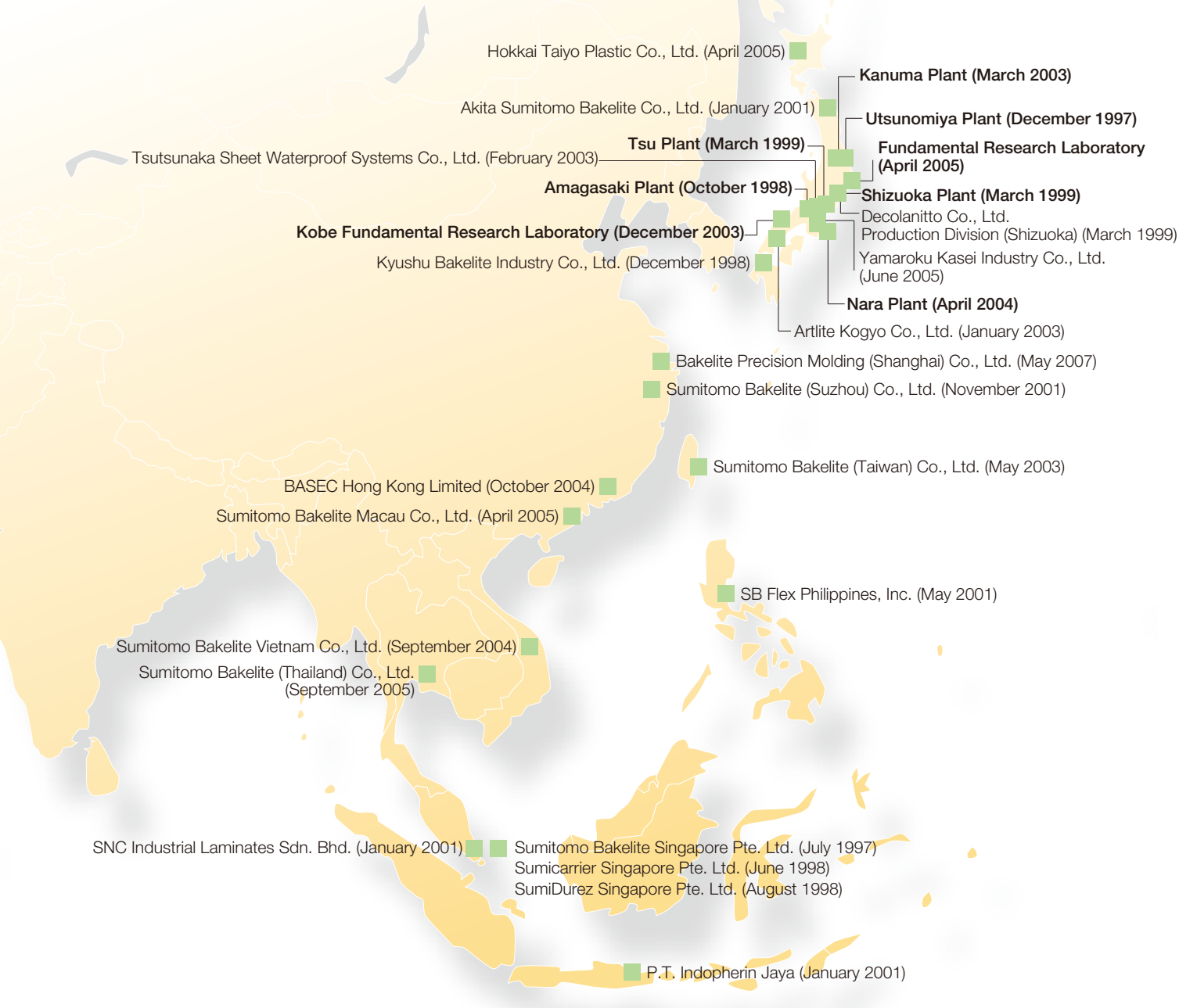
Notes: 1. Regarding facilities affecting air quality, in cases where there are multiple facilities subject to regulations, we have listed the facility discharging the largest amount of gas emissions.
2. Regarding regulatory limits, we have listed the most stringent of municipal ordinances, community agreements, and administrative guidance.
3. Actual measurements are the largest values occurring in fiscal 2006. Regarding pH, the lowest and highest values are listed.
4. Actual measurements listed as "less than" indicate a measurement smaller than the lowest measurable value.

ISO 14001 Certification

The Sumitomo Bakelite Group promotes the establishment of environmental management systems compliant with ISO 14001.

As part of its Responsible Care activities, the Sumitomo Bakelite Group has been building environmental management systems based on ISO 14001 and promoting the acquisition of ISO 14001 certification. To date, 15 domestic business sites and 15 overseas business sites have acquired certification. We are working to improve environmental management at sites that have already been certified while promoting the timely acquisition of certification by sites that have yet to do so.

Sites that were certified as of July 31, 2007, are indicated on the map below.



Notes: 1. Scope of inclusion: Consolidated subsidiaries.
2. Bold lettering indicates business sites of Sumitomo Bakelite.
3. Date in parentheses ( ) indicates the month and year of acquisition.

History of Environmental Conservation Activities

History of the Sumitomo Bakelite Group's Environmental Conservation Activities

Year	Sumitomo Bakelite Initiatives	Societal Developments
1967		• Basic Law for Environmental Pollution Control enacted
1968		• Air Pollution Control Law and Noise Regulation Law enacted
1969	• Pollution countermeasures secretariat established	
1970		• Water Pollution Control Law and Waste Disposal and Public Cleansing Law enacted
1971		• Environment Agency established
1972		• The Club of Rome published *The Limits to Growth.* • Declaration of the United Nations Conference on the Human Environment adopted at the United Nations Conference on the Human Environment held in Stockholm
1973	• Environmental Management Division established • Environmental auditing of domestic business sites commenced	
1974	• Environmental Management departments established for all business sites	
1978	• Environmental auditing of domestic affiliates commenced	
1979		• Law Concerning the Rational Use of Energy enacted
1985		• The Vienna Convention for the Protection of the Ozone Layer adopted
1987		• Montreal Protocol on Substances that Deplete the Ozone Layer adopted
1989		• Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal adopted
1990	• Environmental Issue Action Committee established • Directors responsible for safety and the environment appointed	
1991	• Recycling Technology Action Office established	• Law Promoting the Use of Recycled Resources enacted
1992	• S.B. Recycle Co., Ltd., established	• U.N. Conference on Environment and Development ("Earth Summit") held
1993	• Environment and Safety Volunteer Plan drafted • Environment and safety management regulations established • Environmental audits of overseas affiliates commenced	• The Basic Environment Law enacted
1994	Use of certain CFCs and 1,1,1-trichloroethane ceased	
1995	• Responsible Care Committee established • The Company joined the Japan Responsible Care Council as a founding member.	• Japan Responsible Care Council (JRCC) established • Law for Promotion of Sorted Collection and Recycling of Containers and Packaging enacted
1996		• International environmental standard certification ISO 14001 went into effect
1997	• "Corporate Policies for Safety, Health and the Environment" revised • Utsunomiya Plant and Sumitomo Bakelite Singapore Pte. Ltd. acquired ISO 14001 certification	• Kyoto Protocol adopted by the Third Conference of the Parties of the United Nations Framework Convention on Climate Change (COP3)
1998	• First *Environmental Activities Report* issued	
1999	• All Sumitomo Bakelite plants acquired ISO 14001 certification	• Law Concerning Reporting, etc., of Releases to the Environment of Specific Chemical Substances and Promoting Improvements in Their Management enacted • Law Concerning Special Measures against Dioxins enacted
2000	• Environmental accounting implemented	• Basic Law for Establishing the Recycling-Based Society enacted
2001	• *Environmental Report* issued (Independent reviews have been conducted since 2001)	
2002	• Scope of *Environmental Report* expanded to include domestic affiliates • Tokyo Kakohin Co., Ltd., received an award for promoting a policy of "Reduce, Reuse, and Recycle." • Risk Management Committee established	• Soil Contamination Countermeasures Law enacted • Japan adopted COP3 Kyoto Protocol
2003	• Yamaroku Kasei Industry Co., Ltd., became certified as the Company's first zero waste emissions plant. Subsequently, Kyushu Bakelite Industry Co., Ltd., and the Amagasaki Plant also acquired certification • Compliance Committee established	• Building Code revised to resolve the "sick house" syndrome
2004	• Shizuoka Plant commenced operations of a cogeneration system	• Air Pollution Prevention Law revised to reduce VOC emissions
2005	• Sumitomo Bakelite changed the title of its annual *Environmental Report* to *Environmental & Social Report* to reflect a broader coverage of social initiatives.	• Kyoto Protocol went into effect
2006		• Amended Law Concerning the Rational Use of Energy went into effect
2007	• 30 Sumitomo Bakelite Group domestic and overseas business sites held ISO 14001 certification (as of July 31)	• The new EU Regulation for Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) came into force

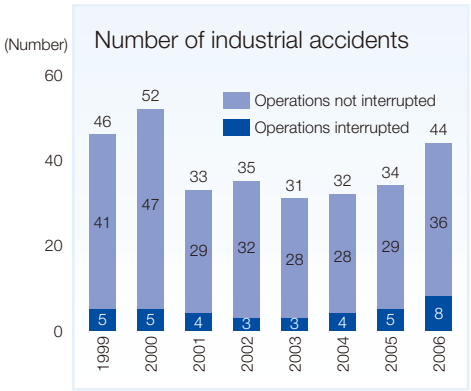
Occupational Safety and Health

The Sumitomo Bakelite Group works to achieve a record of zero accidents and zero disasters with the aim of creating a healthy and pleasant workplace.

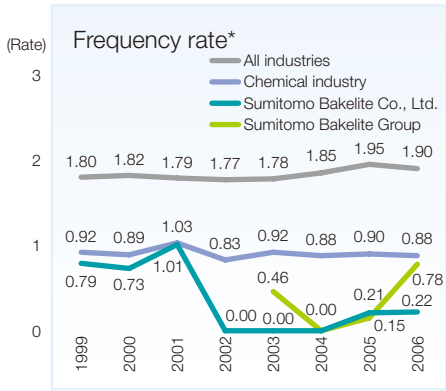
For some time, management and labor at Sumitomo Bakelite have been working together to promote such safety and health initiatives as hazard prediction, pointing and calling, 5S activities, potential accident prevention, and the creation of a comfortable workplace. In the event of an accident, an emergency meeting of the Safety and Health Committee is immediately called at the site, where the cause and countermeasures taken are examined, after which an accident report is quickly sent out to all Group business sites to prevent the occurrence of similar accidents.

Nevertheless, in July 2006, there was a grave accident at Yamaroku Kasei Industry Co., Ltd., involving a fatality in which an employee fell into a high-speed mixer tank and became caught in the equipment's automatically rotating blades. Taking this serious accident to heart, we introduced a risk assessment program that makes essential safe machinery and equipment design the foremost priority. Under this program, we strive to eliminate sources of danger (root causes of work injuries), estimate and evaluate risks, and adopt countermeasures commensurate to the risk level. Following guidance from the Japan Industrial Safety and Health Association (JISHA), risk assessment programs have been introduced at all of the 17 domestic business sites, and we are working to ensure these programs take root as a system to support a major improvement in the level of safety.

Trends in the number of industrial accidents and frequency rates, including data for our affiliates, are presented below.



Notes: 1. Data are compiled from all domestic business sites listed on page 8.
2. Data are compiled from January through December of each year.



* The frequency rate refers to the number of deaths and injuries from industrial accidents per one million work hours. Frequency rate= (Deaths and injuries/number of worker hours) x 1,000,000

Notes: 1. Data are compiled from January through December of each year.
2. Frequency rate data for the Sumitomo Bakelite Group are only available for fiscal 2003 and subsequent fiscal years.

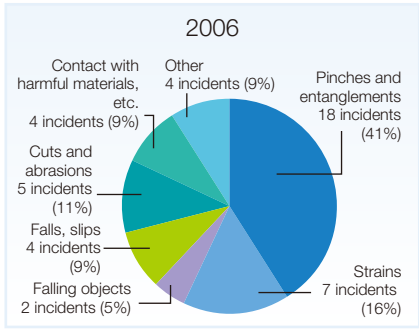
Risk assessment course (Head Office)

Risk assessment training (Shizuoka Plant)

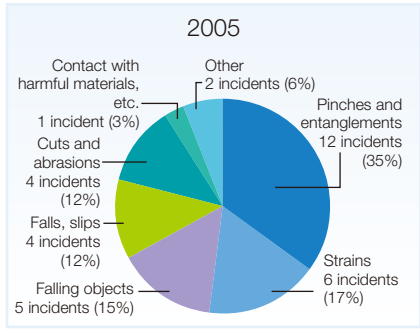
The pie charts to the right show the number and rates of different types of accidents over the past two years.

"Pinches and entanglements" and "Strains" continued to constitute the highest number of accidents, together accounting for more than 50% of all accidents. In particular, "pinches and entanglements" are often the cause of serious accidents, and we strive to prevent recurrence by adopting comprehensive safety measures for machinery and equipment.

Industrial Accident Analysis and Countermeasures



Note: Data are collected for January through December.



Note: Data are collected for January through December.

Occupational Safety and Health Initiatives at Group Business Sites

Safety fence installed above mixing tank
(Shizuoka Plant)

Training on the safety use of boilers
(Amagasaki Plant)

Mental health training
(Shizuoka Plant)

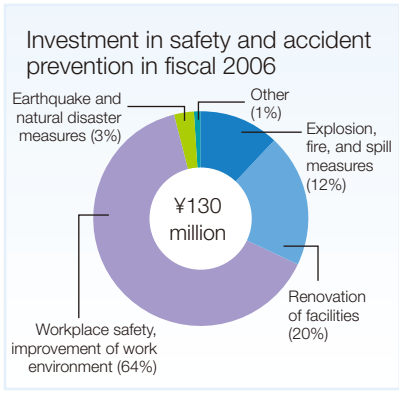
Training on the safety operation of forklifts
(Kyushu Bakelite Industry Co., Ltd.)

Pointing and calling training
(Sumitomo Bakelite Vietnam Co., Ltd.)

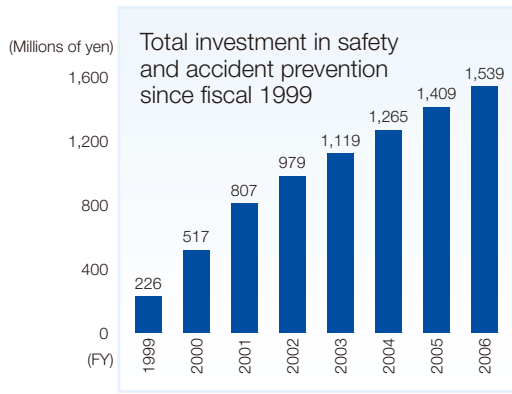
Training on the use of new equipment
(Kyushu Bakelite Industry Co., Ltd.)

Investment in Safety and Accident Prevention Initiatives

The Sumitomo Bakelite Group continually invests in safety and accident prevention initiatives. In fiscal 2006, we invested ¥130 million in measures that were focused on improving aging facilities, workplace safety, and the work environment. Since fiscal 1999, the Sumitomo Bakelite Group has invested a total of ¥1.5 billion in such measures.



Note: Data are compiled from all domestic business sites listed on page 8.



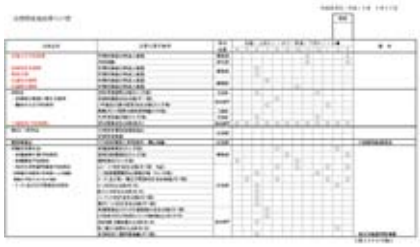
Note: Data are compiled from all domestic business sites listed on page 8.

Safety and Accident Prevention

Sumitomo Bakelite promotes safety and accident prevention activities, with the goal of zero accidents and zero disasters.

To ensure the safety of employees and earn trust in local communities, we strive to prevent such accidents as fires, explosions, and spills into the environment while minimizing damage in case of an accident. Each year, every business site of the Sumitomo Bakelite Group prepares an accident prevention plan and conducts equipment inspections as well as accident prevention training and drills. If an accident does occur, all domestic and overseas business sites are notified quickly to prevent similar accidents at other sites.

Safety and Accident Prevention Activities at Group Business Sites



Annual plans for equipment inspections
(Shizuoka Plant)

Leak prevention training (Artlite Kogyo Co., Ltd.)

Joint training exercises with local firefighters
(Utsunomiya Plant)

Training to experience smoke from fire
(Utsunomiya Plant)

Water-discharge exercise with a compact engine pump (Amagasaki Plant)

Water-discharge exercise with an outdoor fire hydrant (Kobe Fundamental Research Laboratory)

Hands-on training in fire extinguisher use
(Tsu Plant)

Disaster drills
(Sumitomo Bakelite Europe (Barcelona) S.L.U.)

Employment and Human Rights/ Human Resources Development

Sumitomo Bakelite respects each and every one of its employees and aims to create workplaces that are conducive to work.

Work Support

In light of the declining birthrate and the aging population in Japan, Sumitomo Bakelite is offering employees various kinds of family support programs that make it possible for them to achieve a balance between work and private life, encouraging employees who need to provide child care or nursing care to work with peace of mind.

- Child care or nursing care leave

  Employees are able to take child care leave until their child(ren) turn 18 months old. They may also take up to one year of leave for each family member in need of nursing care.
- Work support

  Employees raising children are allowed to move up or back the time they start work, or shorten their daily working hours by up to two hours, until their children have reached the third year of elementary school.
- Accumulated vacation days

  Up to 30 days of expired, unused paid vacation accumulated over a period extending up to two years prior to the submission of a request may be used as sick leave or for providing nursing care for a family member.

Employment of People with Disabilities

Sumitomo Bakelite considers the employment of people with disabilities as established by law to be an important corporate mission and is working to employ such individuals. In the last three years, the employment rates of disabled individuals have been above the legal minimum standard of 1.8%. Looking ahead, we plan to make further efforts to maintain and improve the rate.

Employment Rate of People with Disabilities over the Past Three Years (as of March 31)

2005	2006	2007
1.85%	2.00%	1.98%

Mental Health Care

In accordance with Ministry of Health, Labour and Welfare guidelines, Sumitomo Bakelite offers employees four main types of mental health care, including self-care, on-site care, in-house care by industrial physicians and public health nurses, and off-site care by specialists. Since mental health issues tend to worsen when they are not addressed, we provide a care system that enables employees to feel free to contact physicians and counselors via telephone or e-mail. In addition, we suggest employees who work considerable amounts of overtime meet with an industrial physician.

Respect for Individuals and Their Human Rights

Sumitomo Bakelite endeavors to create a workplace that is pleasant and conducive to work and in which people respect each other and each other's human rights.

Excerpt from Our Standards of Conduct

1. The Company will provide employees with information relating to business conditions after giving due consideration to its corporate structure.
2. We will actively participate in suggestion plans and small group activities, striving to create a comfortable work environment through workplace improvement activities.
3. We will promote amity in the workplace, and foster trusting relationships among colleagues.
4. We will maintain and improve on the positive labor-management relationship, working together to achieve a comfortable workplace.
5. Both internally and externally, we will not discriminate with regard to factors such as race, nationality, ethnicity, sex, age, religion, philosophy or creed, education, or health condition.
6. We will abide by the *Manual for the Prevention of Sexual Harassment,* and will not condone sexual harassment.

Human Resource Development

Sumitomo Bakelite opened the Sumitomo Bakelite School, which we call the SB School, as an in-house education body in September 2007. Aiming to support sustained growth at the Sumitomo Bakelite Group, the SB School conducts seminars and training for all departments involved with business activities and all employees at each rank of the Company's organization that had been held at various locations to date. In addition, the school has added new programs to its curriculum, including training for all employees covering the Company's fundamental policies, compliance, worker safety and quality, and other topics.

The people we seek to hire are ones who understand our basic policy (which is to value the trust and maintain the steadiness. Based on this, we strive through our business activities to make contributions to social progress and improvements to quality of life worldwide) and our corporate mission of aiming to be a "global excellent company." They are able to contribute on their own to supporting the sustained growth of our businesses.

1) People with the drive to grow and acquire new skills and knowledge necessary for their jobs;
2) People with a pro-reform stance who are not satisfied with the status quo, but are always looking for ways to do a better job;
3) People with a team-oriented approach who can combine their individual strengths with the strengths of those around them to deliver better results;
4) People with outstanding skills and know-how who can produce results in jobs both in and outside of Japan as professionals.

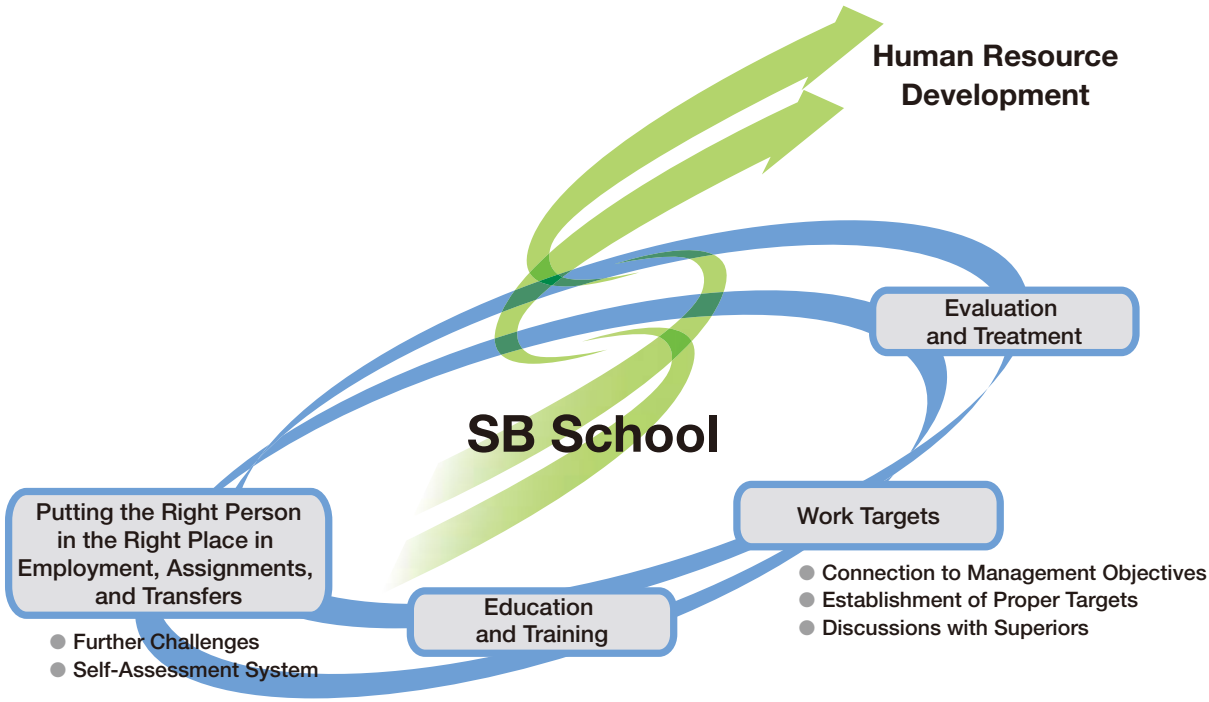
As a means of providing on-the-job training in daily operations, we have implemented a system of work targets. Employees meet with their superiors to establish targets and complete a full management cycle of plan, do, check, and action every six months.

Superiors hold periodic meetings with employees to set targets, check interim progress, and assess outcomes, using discussion and guidance to steadily raise the business execution capabilities of each employee, with the ultimate aim of further boosting their department's performance.

To assess the suitability of employees for their current positions as well as place employees in fields that take full advantage of their abilities, we have adopted a self-assessment system. By advancing careers through job rotation, we are working to nurture employees who will be recognized as professionals both within and outside of the Company.

As business becomes increasingly global and borderless in the 21st century, Sumitomo Bakelite is actively striving to develop the capabilities of each employee—the Company's most precious management resource—through sustained development as a "global excellent company."

SB School and Personnel Development



Structure of SB School Education and Training

	Companywide Employee Training	Training for Each Rank	Corporate Department Training	Training for Specific Purposes	Supporting Self-Development
Executive Officers	Basic policy and standards of conduct; Compliance; Safety; Quality and environment; CS (customer satisfaction) improvement; Workplace organization; Human rights in the workplace; Mental health	Training for executive officers	<Basic and specialist training> CS marketing; Legal and labor relations, Accounting, credit, IT, intellectual property, environment, quality, production technology, Sumitomo Bakelite Production System (SBPS), and Union of Japanese Scientists and Engineers (JUSE) seminars	Basic training and practice in writing emails in English; Logical thinking; Logical presentation; Cash flow; Business documents writing	Self-study English education; Correspondence training
General Managers		Training for general managers			
Section Managers		Training for newly appointed section managers			
Assistant Managers		Training for newly appointed assistant managers			
Group Leaders		Training for Group leaders			
Sixth Year		Training for sixth-year employees			
Third Year		Training for third-year employees			
Second Year		Training for second-year employees			
New Employees		Training for new employees (On-the-job (OTJ) factory training)			

Product Liability

Sumitomo Bakelite engages in quality management activities on a Companywide level to enhance customer satisfaction by providing its customers with quality products and services that they can use with peace of mind.

Sumitomo Bakelite's Quality Assurance System

In all processes, from product planning, product design, manufacturing preparations, manufacturing, and sales and service, the divisions involved cooperation in working to maintain and improve quality to provide products that satisfy customers and can be used with peace of mind.

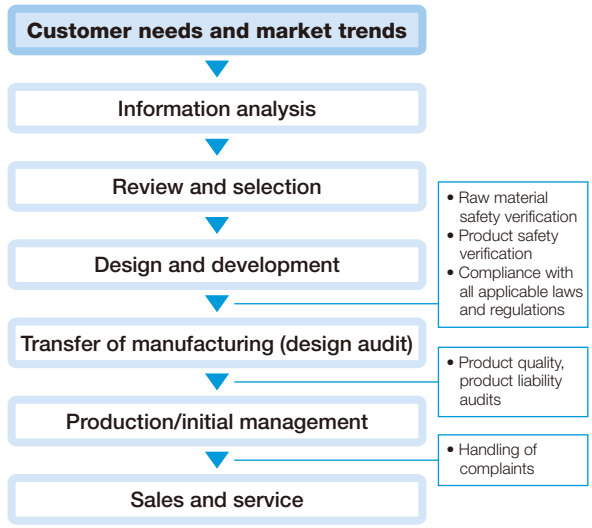
Quality Management System

Sumitomo Bakelite and its domestic and overseas business sites develop quality management systems based on ISO 9001 standards and work to acquire certification. We also work toward acquiring ISO 13485 certification for medical devices, which have additional requirements not covered by ISO 9001. Moreover, the Company is likewise working to obtain ISO/TS16949 certification, which includes particular requirements for the application of ISO 9001 for automotive-related products, for our auto parts. As of March 31, 2007, the Company and 34 other Group companies, including 17 domestic business sites and 17 overseas business sites, had acquired certification. ISO 9001 certified business sites are shown on the map below.

Product Safety Initiatives

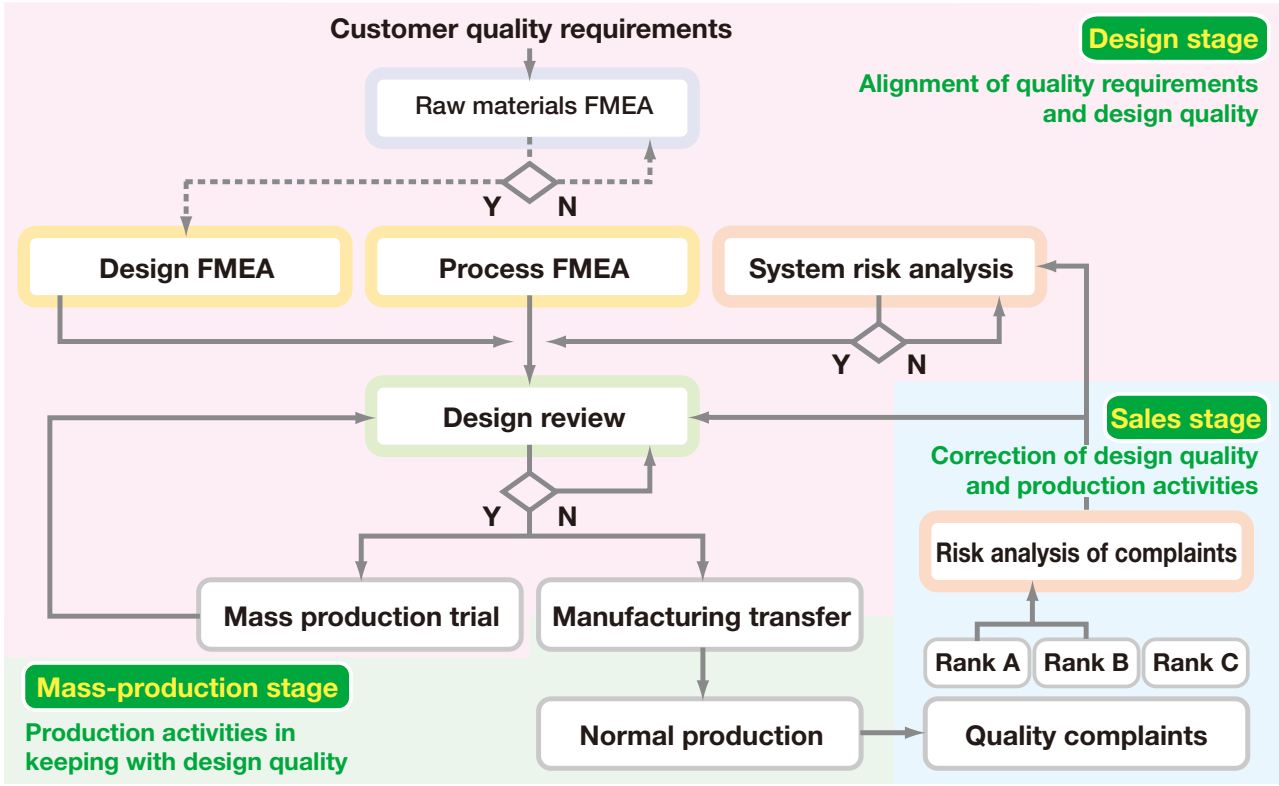
To ensure the safety of its products, Sumitomo Bakelite conducts inspections of product designs and the products themselves, as well as risk analyses, offering its customers products that they can use with peace of mind. We also conduct in-house safety and product liability audits and work Companywide to raise awareness about quality management and product safety.

In particular, in the design and development as well as the transfer of manufacturing, we are working to build a structure wherein we carry out failure mode and effect analysis (FMEA) for raw materials and system risk analysis* in addition to the design FMEA and process FMEA we already conduct so as to realize even better product design and process design. We are also moving forward with risk analysis that takes into account the level of importance of quality complaints and concerns.



* Analytical method to verify and confirm whether there are risks within the current process of developing and preparing to market products except for product characteristics.

Measures Taken to Ensure Product Safety



We are working to provide product information through MSDSs, product catalogs, and instructions in an effort to facilitate the proper and safe use of our products.

Not only corporate quality assurance units but also the entire Sumitomo Bakelite organization, including its development, procurement, manufacturing, and sales departments, are working together to rehaul and strengthen the quality assurance framework to reduce quality risks as part of efforts to provide products and services that deliver customer satisfaction and can be used with peace of mind.

Community Activities

All Sumitomo Bakelite business sites strive to be open with their communities and actively promote exchange with local communities through various kinds of activities.

P.T. Indopherin Jaya offered environmental education to local high school students with several other companies and the government.

The Shizuoka Plant donates materials for environmental study to elementary schools through a local environmental conservation council.

Local junior high school students visit a Decolanitto Co., Ltd., factory on a field study trip.

Sumitomo Bakelite Vietnam Co., Ltd., is an active participant in the Social Responsibility Committee (SRC), which aims to improve the living environment around industrial zones.

Dorm residents at the Shizuoka Plant collect and clean up garbage from nearby streets.

Cooperating with a Red Cross initiative, many Amagasaki Plant employees donate blood.

Local residents participate in and enjoy a summer festival together with Shizuoka Plant employees.

University students in Hanoi tour a plant run by Sumitomo Bakelite Vietnam Co., Ltd., in order to study Japanese companies.

As a member of a local environment conservation council, the Shizuoka Plant employees join in cleanup activities.

Social Recognition for Sumitomo Bakelite's Initiatives

The PM chemical recycling project team was given an outstanding presentation award for its presentation of the development of a chemical recycling process for phenolic resins at the 15th Polymer Materials Forum.

The Kanuma Plant was awarded the Grand Prize for energy conservation achieved by increasing the operating efficiency of an electrical substation equipment plant from the Kanto Electricity Usage Rationalization Committee.

Independent Review Report

KPMG

Independent Review Report on "Environmental & Social Report 2007"

To the Board of Directors of Sumitomo Bakelite Co., Ltd.,

1. Purpose and Scope of our Review

We have reviewed "Environmental & Social Report 2007" ("the Report") of Sumitomo Bakelite Co., Ltd. ("the Company") for the year ended March 31, 2007. Our engagement was designed to report to the Company, based on the results of our review, whether the environmental and social performance indicators and the environmental accounting indicators ("the Indicators") for the period from April 1, 2006 to March 31, 2007 included in the Report are collected, compiled and reported, in all material respects, rationally and in conformance with the Company's policies and standards, and whether all the material environmental information defined by the Japanese Association of Assurance Organizations for Environmental Information ("J-AOEI") is included in the Report.

The report, including the identification of material issues, is the responsibility of the Company's management. Our responsibility is to independently report the results of our procedures performed on the Indicators.

2. Procedures Performed

We have performed the following review procedures:

- With respect to the Company's policies for compilation of the Report, interviewed the Company's responsible personnel.
- Assessed the Company's standards used for collecting, compiling and reporting the Indicators.
- With respect to the way of collecting the Indicators and the process flow of calculating them, interviewed the Company's responsible personnel and reviewed the systems and processes used to generate the values of the Indicators.
- Compared the Indicators on a sample basis with the supporting evidences to test the conformity in collection, compilation and reporting of the Indicators to the Company's policies and standards, and recomputed the Indicators.
- Made an on-site inspection of the Company's domestic facility.
- Assessed whether all the material environmental information defined by J-AOEI is included in the Report.
- Evaluated the overall statement in which the Indicators are expressed.

We conducted our engagement in accordance with Assurance Standard for Environmental Reports (pilot version) of Ministry of the Environment (March 2004) and the Practical Guidelines of Environmental Information Assurance of J-AOEI (January 2006).

3. Results of the Procedures Performed

Based on our review, nothing has come to our attention that causes us to believe that the Indicators in the Report are not collected, compiled and reported, in all material respects, rationally and in conformance with the Company's policies and procedures, and that all the material environmental information defined by J-AOEI is not included in the Report.

KPMG Azsa Sustainability Co.,Ltd.

KPMG AZSA Sustainability Co., Ltd.

Tokyo, Japan
September 13, 2007

Corporate Data

Name
Sumitomo Bakelite Co., Ltd.

President
Tomitaro Ogawa

Established
January 25, 1932

Capital (as of March 31, 2007)
¥37.1 billion

Number of Shareholders (as of March 31, 2007)
19,326

Number of Employees (as of March 31, 2007)
2,255 (non-consolidated)
9,165 (consolidated)

Net Sales (fiscal 2006)
¥103.7 billion (non-consolidated)
¥255.4 billion (consolidated)

Major Products by Division

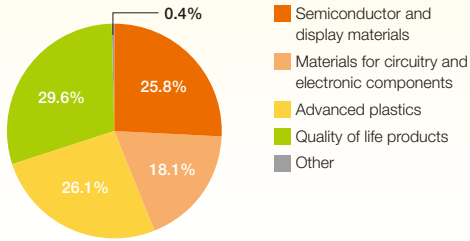
Semiconductor and display materials
- Epoxy resin molding compounds for semiconductor packaging
- Liquid resin for semiconductors
- Carrier tape for semiconductor surface mounting
- Adhesive tape for semiconductor chips

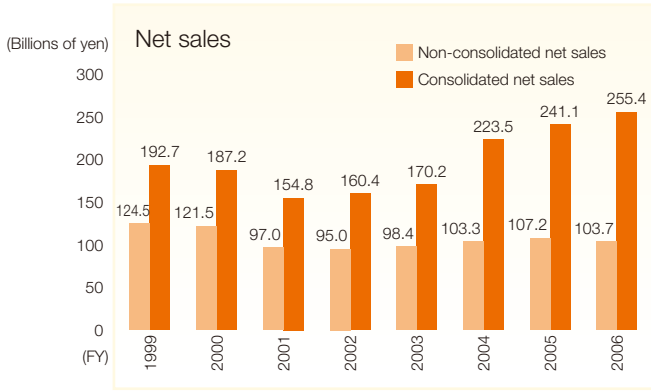
Materials for circuitry and electronic components
- Epoxy resin copper clad laminates
- Phenolic resin copper clad laminates
- Flexible printed circuits

Advanced plastics
- Phenolic resin molding compounds
- Industrial phenolic resins
- Precision molded products

Quality of life products
- Medical devices
- Vinyl resin sheets
- Multilayer sheets
- Melamine resin decorative laminates
- Polycarbonate resin boards
- Vinyl resin boards
- Acrylic styrene resin boards
- Water treatment products

Fiscal 2006 net sales by division (consolidated)





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Domestic Affiliates

Akita Sumitomo Bakelite Co., Ltd.
Tsutsunaka Sheet Waterproof Systems Co., Ltd.
Kyodo Co., Ltd.
Chubu Jushi Co., Ltd.
Softec Co., Ltd.
Tsutsunaka Kosan Co., Ltd.
Kanto Tsutsunaka Kosan Co., Ltd.
Seibu Jushi Co., Ltd.
Y-Techs Co., Ltd.
Thanxs Trading Co., Ltd.
Artlite Kogyo Co., Ltd.
Hokkai Taiyo Plastic Co., Ltd.
Nippon Denkai Co., Ltd.
Otomo Chemical Co., Ltd.
Yamaroku Kasei Industry Co., Ltd.
Kyushu Bakelite Industry Co., Ltd.
Japan Communication Accessories Manufacturing Co., Ltd.
SPD Co., Ltd.
Sunbake Co., Ltd.
Decolanitto Co., Ltd.
Sumibe Techno Plastic Co., Ltd.
Sumibe Service Co., Ltd.
S.B. Research Co., Ltd.
S.B. Recycle Co., Ltd.
S.B. TEG Co., Ltd.

Overseas Affiliates

N.V. Sumitomo Bakelite Europe S.A.
Vyncolit N.V.
Sumitomo Bakelite Europe (Barcelona) S.L.U.
Sumitomo Bakelite (Suzhou) Co., Ltd.
Bakelite Precision Molding (Shanghai) Co., Ltd.
Bakelite Trading (Shanghai) Co., Ltd.
BASEC Hong Kong Limited
Sumitomo Bakelite Hong Kong Co., Ltd.
Sumitomo Bakelite Macau Co., Ltd.
Tsu-Kong Co., Ltd.
Sumitomo Bakelite (Taiwan) Co., Ltd.
P.T. Pamolite Adhesive Industry
P.T. CMKS Indonesia
P.T. Indopherin Jaya
Rigidtex Sdn. Bhd.
P.T. SBP Indonesia
Neopreg AG
SNC Industrial Laminates Sdn. Bhd.
CMKS (Malaysia) Sdn. Bhd.
SB Flex Philippines, Inc.
CMK Singapore Pte. Ltd.
Sumitomo Bakelite Singapore Pte. Ltd.
Sumicarrier Singapore Pte. Ltd.
SumiDurez Singapore Pte. Ltd.
Sumitomo Bakelite (Thailand) Co., Ltd.
Sumitomo Bakelite Vietnam Co., Ltd.
Sumitomo Plastics America, Inc.
Durez Corporation
Promerus, LLC.
Sumitomo Bakelite North America Holding, Inc.
Sumitomo Bakelite North America, Inc.
Durez Canada Co., Ltd.
SumiDurez Canada G.P.

SUMITOMO BAKELITE CO., LTD.

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Aiming to help protect the global environment, Sumitomo Bakelite has printed this pamphlet on Forest Stewardship Council (FSC) approved paper using soybean oil-based ink and a waterless printing process that generates a relatively small amount of harmful waste fluid.

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