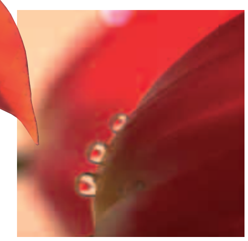




Annual Report 2005

For the year ended March 31, 2005


SUMITOMO BAKELITE CO., LTD.

Profile

The phenolic resin Bakelite, one of the oldest plastics in use today, was developed about 100 years ago by a Belgian-American, Dr. Leo H. Baekeland. Shortly thereafter, Sumitomo Bakelite Company, Limited became the first Japanese company to succeed in the industrial production of the material. Ever since, the Company has led the plastics processing field, providing customers with an ever-widening variety of superior products and technologies. Today, Sumitomo Bakelite is moving decisively to develop more sophisticated technologies that will provide current and future generations.

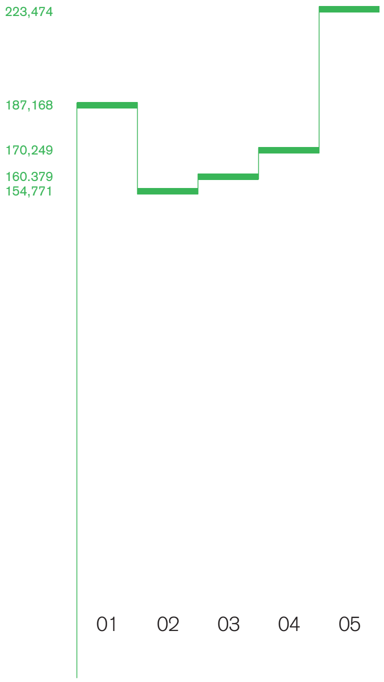
Contents

Financial Highlights

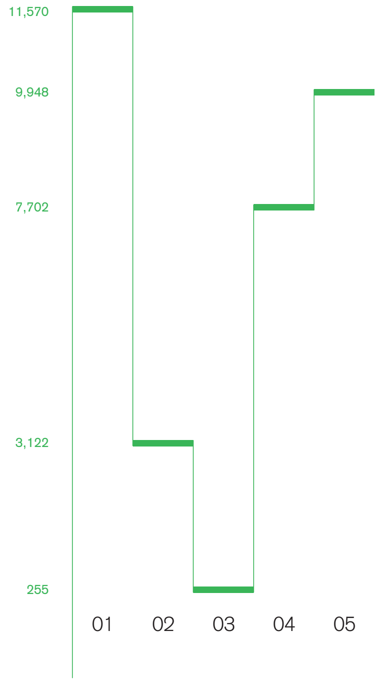
Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Net Sales	¥ 223,474	¥ 170,249	¥ 160,379	$ 2,080,764
Net Income	9,948	7,702	255	92,626
Total Assets	253,822	244,712	198,320	2,363,333
Shareholders' Equity	125,689	117,433	114,442	1,170,289
		Yen		U.S. dollars
Net Income per Share	¥ 41.48	¥ 32.14	¥ 0.87	$ 0.39
Diluted Net Income per Share (Note 2)	37.64	29.28	–	0.35
Cash Dividends per Share	10.00	10.00	10.00	0.09

Note: U.S. dollar amounts are translated from yen at the rate of ¥107.4 to US$1, the approximate exchange rate prevailing at March 31, 2005.

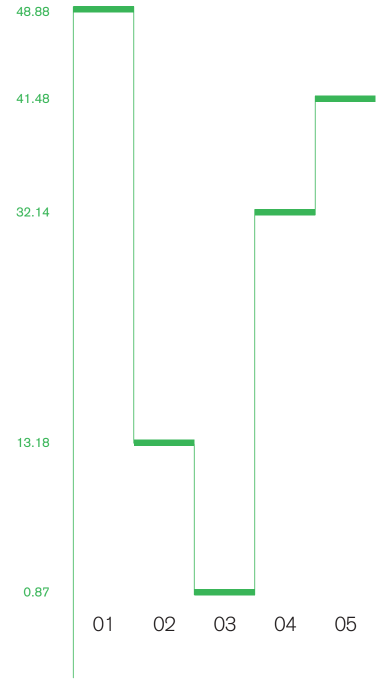
Net Sales (Millions of yen)



Net Income (Millions of yen)



Net Income per Share (Yen)



President's Message

Tomitaro Ogawa
President

During fiscal 2005, ended March 31, 2005, the Japanese economy experienced mixed conditions. Against the backdrop of positive economic growth in the U.S. and Asian economies, and particularly in China, the domestic operating environment was characterized by an overall recovery trend, underpinned by an increase in export activity and steady capital investment. From the fall, however, exports began to stall prompting an adjustment phase in the general economy.

Within Sumitomo Bakelite Co., Ltd. and in the Sumitomo Bakelite Group's main businesses and related industries, semiconductors confronted a similar trend. In the first half, results were strong worldwide, backed by new and replacement demand for digital home electronics, personal computers and other items. In the second half, however, conditions began to deteriorate as the digital home electronics and IT-related industries undertook inventory adjustments. In contrast, in Japan, conditions remained steady due to an increase in automobile production to support robust export demand. This was despite weak conditions in cellular phone demand.

In the context of this operating environment, Sumitomo Bakelite has continued to implement its selection and focus initiatives with the aim of further reinforcing its earnings platform and to promote structural reform in an effort to secure low-cost production. As a result, consolidated net sales during the fiscal year under review amounted to ¥223,474 million, an increase of ¥53,225 million, or 31.3%, from the previous fiscal year, buoyed by strong performances in the Company's mainstay semiconductor, information and telecommunication applications, and high-performance plastic applications businesses, as well as the inclusion of

Tsutsunaka Plastic Industry Co., Ltd. in the Company's scope of consolidation as a subsidiary company in March 2004. On the earnings front, consolidated operating income rose ¥4,743 million, or 31.8% year on year, to ¥19,671 million, reflecting the increase in revenues and successful efforts to curtail expenses through business structural reform. Consolidated recurring profit surged ¥6,804 million, or 49.5%, to ¥20,535 million, while net income climbed ¥2,246 million, or 29.2%, to ¥9,948 million.

During the fiscal year under review, Sumitomo Bakelite and the Sumitomo Bakelite Group did not pursue extraordinary measures to secure funds such as an increase in its capital or the issue of corporate bonds. In fiscal 2005, our capital investment amounted to ¥9,283 million.

In the context of our operating environment, Sumitomo Bakelite recognizes the impact of sharply rising petroleum and petrochemical prices on the world's economies. In particular, we are seeing a slowdown in the U.S. economy and measures to contain the pace of growth in China. Despite these concerns, however, we anticipate a steady recovery fueled by activities in the digital home electronics and IT-related sectors, and a quick end to inventory adjustments. Under these circumstances, Sumitomo Bakelite and its Group companies will continue to focus management efforts on the following key initiatives.

First, Sumitomo Bakelite aims to strengthen its core businesses, which are: semiconductor, information and telecommunication applications; high-performance plastic applications; and quality-of-life applications. Focusing on historic demand for long-term reliability, Sumitomo Bakelite has continued to channel management resources into the development of materials for semiconductors. In the future, we will also focus efforts on providing optimal solutions to our customers through semiconductor package materials that address the need for more compact, high-speed, and environmentally friendly products. In addition, we will bolster ties with Tsutsunaka Plastic Industry Co., Ltd. with the aim of pursuing synergistic effects in the quality-of-life application business through stronger collaboration.

Second, we will continue our efforts to bolster overseas production and strive to build a rock-solid management foundation that is more immune to the economic vagaries of any given geographical region by raising the ratio of overseas production to over 50%. Sumitomo Bakelite will also promptly implement restructuring measures to expand market scale and increase efficiency in connection with unprofitable businesses, and those businesses where profits have currently stalled but exhibit potential for future profit growth.

Third, we aim to develop a higher responsiveness to customer demands from the perspectives of quality, delivery, and cost, by leveraging our global network of production bases.

Lastly, Sumitomo Bakelite and the Sumitomo Bakelite Group seek to contribute to society and protect the environment in an effort to win the confidence of all the communities in which we operate.

We thank all stakeholders for their continued understanding and support as we pursue our endeavors.

June 2005

Major Developments

1 Expanding Our Phenolic Resin Molding Material Business

Vyncolit N.V. (Gent, Belgium)

Vyncolit North America, Inc. (Manchester, Connecticut, U.S.A.)

Sumitomo Bakelite executed an agreement with Perstorp AB (Sweden) in April 2005 to acquire all the shares of Vyncolit N.V. (VNV) in Belgium and Vyncolit North America, Inc. (VNA) in the United States, Perstorp's phenolic resin molding material subsidiary companies. In the automobile domain, an area of strategic application, Sumitomo Bakelite already maintains a phenolic resin network in Europe, a market larger in scale than that of the United States or Japan. Prior to the recent acquisition of VNV and VNA, however, Sumitomo Bakelite did not have bases in the market for phenolic resin molding materials there. Leveraging VNV's broad customer base, and its experience in the supply of phenolic resin molding materials for automobile component use in Europe, we will optimize synergy benefits among phenolic resin, phenolic resin molding materials, and molded products.

In addition, the acquisition of VNV and VNA will complement our efforts to build an ideal business model encompassing raw material resins through molding materials and molded articles. Based on Sumitomo Bakelite's operational bases across five regions including Japan, the United States, South East Asia, China, and Europe, we will push forward with the development of a global business while reinforcing core competencies.

2 Promoting the Biotechnology-Related Products Business

Highly sensitive DNA chip that enables visual determination

Leveraging its proprietary resin processing and function-assignment technologies, Sumitomo Bakelite is active in the development of new businesses in the biotechnology field.

Sumitomo Bakelite has developed a plastic substrate for next generation DNA chips, called S-Bio®PrimeSurface™, that can simultaneously achieve extremely low background and high sensitive hybridization-signal intensity. In conjunction with DNA Chip Research Inc., Sumitomo Bakelite has also developed a new technology for gene detection methods called "Multiple Primer Extension on a Chip" (MPEX). This new technology utilizes S-Bio®PrimeSurface™. MPEX is standing at the forefront of technological developments in the world and has the capability to achieve more than 100 times higher sensitivity than conventional methods. This new technology also greatly reduces the time required for DNA detection and screening, and can be applied to pharmacogenomics, genome drug discovery, and DNA library construction.

In collaboration with Professor Shin-ichiro Nishimura of Hokkaido University, Sumitomo Bakelite has also developed a technology for purification and derivatization of oligosaccharide chains.

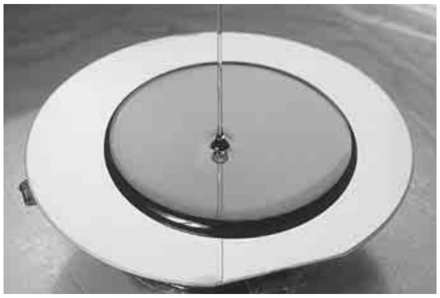
Glycosylation plays an important role in the biological and biophysical properties of many glycoproteins. The structure of oligosaccharide is also associated with various diseases such as viral infections, cancers and rheumatism. The difficulty in oligosaccharide analysis largely stems from the fact that the purification of oligosaccharide requires extremely tedious, multi-step processes. This is because crude sample mixtures prepared by enzymatic digestion from cells, organs, serum, and the like usually contain large amounts of impurities such as peptides, lipids, and salts. These technical problems in the sequencing of oligosaccharide make it impossible to achieve high-throughput protein glycomics.

We have developed and plan to begin sales of S-Bio® BlotGlyco™, an oligosaccharide purification kit based on our new technologies for isolation and derivatization of oligosaccharide chains. BlotGlyco™ makes it possible to prepare pure oligosaccharide samples through simple and fast operations. BlotGlyco™ has the potential to be widely used in large-scale glycan analysis and to become the de facto standard technology.

3 Bolstering Development of Environmentally Conscious Products and Promoting a Recycling Society

SUMIKON® EME (G Series)
Epoxy molding compounds used in self-extinguishing epoxy resin materials for semiconductors

Sumitomo Bakelite aims to develop products in harmony with society and the general environment. The pace and volume of environmentally conscious products are increasing rapidly. In fiscal 2005, the year ended March 31, 2005, sales of environmentally conscious products accounted for 21% of total net sales. In particular, eliminating the use of flame retardants such as bromine and stibium, our G series (left photo) of self-extinguishing epoxy resin materials for semiconductors has received wide market acclaim. Sales of the G series surged 2.6 times compared with the previous year. Furthermore, Sumitomo Bakelite has established a chemical recycling project team. In our efforts to promote the recycling of phenolic resin product waste, we are contributing to a resource recycling-oriented society.



SUMIRESIN EXCEL® CRC
Positive photosensitive coating resins for semiconductor wafers

SUMIKON® PM
Flash-free phenolic resin molding compounds responsive to calls for lightweight, energy-saving, and low CO_2 emission vehicles

Consolidated Balance Sheets

Sumitomo Bakelite Company, Limited and Consolidated Subsidiaries
March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	**2005**	2004	**2005**
Current assets:			
Cash and cash equivalents	¥ 42,667	¥ 37,966	$ 397,272
Trade receivables:			
Notes	11,543	11,589	107,477
Accounts	46,958	46,712	437,225
Allowance for doubtful accounts	(441)	(458)	(4,106)
Inventories (Note 7)	26,644	24,698	248,082
Deferred tax assets (Note 9)	1,950	2,039	18,156
Other current assets (Notes 5 and 8)	7,555	4,631	70,345
Total current assets	136,876	127,177	1,274,451
Property, plant and equipment (Note 8):			
Land	12,211	12,160	113,696
Buildings and structures	70,251	69,177	654,106
Machinery and equipment	131,746	129,758	1,226,685
Construction in progress	2,901	2,578	27,012
	217,109	213,673	2,021,499
Accumulated depreciation	(129,850)	(124,502)	(1,209,032)
Net property, plant and equipment	87,259	89,171	812,467
Goodwill	2,129	3,118	19,823
Investments and other assets:			
Investment securities (Note 5):			
Unconsolidated subsidiaries and affiliates	4,856	4,658	45,214
Other	11,965	14,161	111,406
Long-term loans receivable:			
Unconsolidated subsidiaries and affiliates	1,130	1,149	10,521
Employees and other	114	143	1,061
Deferred tax assets (Note 9)	1,069	947	9,953
Other assets (Notes 3 and 10)	9,155	5,103	85,243
Allowance for doubtful accounts	(731)	(915)	(6,806)
Total investments and other assets	27,558	25,246	256,592
	¥ 253,822	¥ 244,712	$ 2,363,333

See accompanying notes.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 2005	2004	Thousands of U.S. dollars (Note 1) 2005
Current liabilities:			
Short-term debt (Note 8)	¥ 18,024	¥ 22,090	$ 167,821
Long-term debt due within one year (Note 8)	204	522	1,899
Trade payables:			
Notes	7,898	8,048	73,538
Accounts	32,502	30,783	302,626
Accrued expenses	7,108	6,546	66,182
Income taxes payable (Note 9)	3,240	1,917	30,168
Deferred tax liabilities (Note 9)	16	–	149
Other current liabilities	6,432	5,704	59,888
Total current liabilities	75,424	75,610	702,271
Long-term liabilities:			
Long-term debt due after one year (Note 8)	20,200	21,061	188,082
Deferred tax liabilities (Note 9)	4,781	2,945	44,516
Retirement benefits:			
Employees (Notes 3 and 10)	5,271	4,931	49,078
Directors, statutory auditors and officers	719	719	6,695
Consolidation adjustment	1,588	1,958	14,786
Other long-term liabilities	147	146	1,368
Total long-term liabilities	32,706	31,760	304,525
Contingent liabilities (Notes 8 and 14)			
Minority interests	20,003	19,909	186,248
Shareholders' equity (Note 11):			
Common stock:			
Authorized — 800,000,000 shares			
Issued — 237,673,694 shares in 2005 and 2004	27,055	27,055	251,909
Capital surplus	25,271	25,270	235,298
Retained earnings	74,168	66,686	690,577
Net unrealized holding gains on securities	2,204	2,298	20,522
Foreign currency translation adjustments	(2,859)	(3,758)	(26,620)
Treasury stock, at cost	(150)	(118)	(1,397)
Total shareholders' equity	125,689	117,433	1,170,289
	¥253,822	¥244,712	$2,363,333

Consolidated Statements of Income

Sumitomo Bakelite Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	**2005**
Net sales (Note 13)	¥223,474	¥170,249	¥160,379	$2,080,764
Costs and expenses:				
Cost of sales (Note 13)	159,785	119,834	117,276	1,487,757
Selling, general and administrative expenses (Note 13)	44,018	35,487	36,740	409,851
	203,803	155,321	154,016	1,897,608
Operating income (Note 13)	19,671	14,928	6,363	183,156
Other income (expenses):				
Interest and dividend income	471	406	299	4,385
Interest expense	(403)	(403)	(393)	(3,752)
Amortization of consolidation adjustment	443	–	–	4,125
Equity in gains (losses) of affiliated companies	323	(886)	(738)	3,007
Loss on sale/disposal of property, plant and equipment	(814)	(273)	(243)	(7,579)
Gain on sale of investment securities (Note 5)	148	–	182	1,378
Loss on devaluation of investment securities	(65)	(373)	(393)	(605)
Foreign exchange gain (loss), net	(43)	41	(458)	(400)
Cost of business acquisition (Note 4)	(109)	(144)	–	(1,015)
Lawsuit expense	(2,634)	(2,468)	–	(24,525)
Retirement benefit expenses	–	–	(4,212)	–
Gain on securities contributed to employees' retirement benefit trust (Note 2)	–	–	904	–
Gain on termination of employees' retirement benefit trust (Note 2)	–	1,217	–	–
Prior-period adjustment loss	(216)	–	–	(2,011)
Impairment loss of goodwill	(769)	–	–	(7,160)
Other, net	(26)	(380)	(190)	(242)
	(3,694)	(3,263)	(5,242)	(34,394)
Income before income taxes and minority interests	15,977	11,665	1,121	148,762
Income taxes (Note 9)**:**				
Current	3,363	1,845	2,410	31,313
Deferred	1,868	1,542	(1,546)	17,393
	5,231	3,387	864	48,706
Minority interests	(798)	(576)	(2)	(7,430)
Net income	¥ 9,948	¥ 7,702	¥ 255	$ 92,626

	Yen			U.S. dollars (Note 1)
Amounts per share of common stock:				
Net income	¥41.48	¥32.14	¥ 0.87	$0.39
Diluted net income	37.64	29.28	–	0.35
Cash dividends applicable to the year	10.00	10.00	10.00	0.09

See accompanying notes.

Consolidated Statements of Shareholders' Equity

Sumitomo Bakelite Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2005, 2004 and 2003

		Millions of yen					
	Thousands of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustments	Treasury stock, at cost
Balance at March 31, 2002	237,139	¥26,917	¥25,038	¥64,053	¥ 1,533	¥ 4,452	¥ (15)
Net income	–	–	–	255	–	–	–
Net unrealized holding losses arising during the year	–	–	–	–	(2,042)	–	–
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	(3,920)	–
Treasury stock	–	–	–	–	–	–	(83)
Cash dividends paid (¥10 per share)	–	–	–	(2,373)	–	–	–
Bonuses to directors and statutory auditors	–	–	–	(70)	–	–	–
Shares issued upon conversion of bonds	423	138	138	–	–	–	–
Shares issued by share exchange (Note 11)	112	–	94	–	–	–	–
Increase in capital surplus due to sale of treasury stock	–	–	0	–	–	–	–
Decrease in retained earnings due to addition of consolidated subsidiaries	–	–	–	(49)	–	–	–
Decrease in retained earnings due to exclusion of consolidated subsidiaries	–	–	–	(103)	–	–	–
Other (Note 2)	–	–	–	479	–	–	–
Balance at March 31, 2003	237,674	27,055	25,270	62,192	(509)	532	(98)
Net income	–	–	–	7,702	–	–	–
Net unrealized holding gains arising during the year	–	–	–	–	2,807	–	–
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	(4,290)	–
Treasury stock	–	–	–	–	–	–	(20)
Cash dividends paid (¥10 per share)	–	–	–	(2,375)	–	–	–
Bonuses to directors and statutory auditors	–	–	–	(51)	–	–	–
Increase in capital surplus due to sale of treasury stock	–	–	0	–	–	–	–
Decrease in retained earnings due to addition of consolidated subsidiaries	–	–	–	(849)	–	–	–
Other	–	–	–	67	–	–	–
Balance at March 31, 2004	237,674	27,055	25,270	66,686	2,298	(3,758)	(118)
Net income	–	–	–	9,948	–	–	–
Net unrealized holding losses arising during the year	–	–	–	–	(94)	–	–
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	899	–
Treasury stock	–	–	–	–	–	–	(32)
Cash dividends paid (¥10 per share)	–	–	–	(2,375)	–	–	–
Bonuses to directors and statutory auditors	–	–	–	(91)	–	–	–
Increase in capital surplus due to sale of treasury stock	–	–	1	–	–	–	–
Balance at March 31, 2005	237,674	¥27,055	¥25,271	¥74,168	¥ 2,204	¥(2,859)	¥(150)

		Thousands of U.S. dollars (Note 1)					
	Thousands of shares of common stock	Common stock	Capital surplus	Retained earnings	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustments	Treasury stock, at cost
Balance at March 31, 2004	237,674	$251,909	$235,289	$620,912	$21,397	$(34,991)	$(1,099)
Net income	–	–	–	92,626	–	–	–
Net unrealized holding losses arising during the year	–	–	–	–	(875)	–	–
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	8,371	–
Treasury stock	–	–	–	–	–	–	(298)
Cash dividends paid ($0.09 per share)	–	–	–	(22,114)	–	–	–
Bonuses to directors and statutory auditors	–	–	–	(847)	–	–	–
Increase in capital surplus due to sale of treasury stock	–	–	9	–	–	–	–
Balance at March 31, 2005	237,674	$251,909	$235,298	$690,577	$20,522	$(26,620)	$(1,397)

See accompanying notes.

Consolidated Statements of Cash Flows

Sumitomo Bakelite Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2005, 2004 and 2003

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2005	2004	2003	**2005**
Cash flows from operating activities:				
Net income	¥ 9,948	¥ 7,702	¥ 255	$ 92,626
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	11,551	9,746	10,650	107,551
Loss on sale/disposal of property, plant and equipment	814	273	243	7,579
Gain on sale of investment securities	(148)	–	(182)	(1,378)
Minority interests	798	576	2	7,430
Gain on termination of employees' retirement benefit trust	–	(1,217)	–	–
Loss on devaluation of investment securities	65	373	393	605
Equity in gains (losses) of affiliated companies	(323)	886	738	(3,007)
Impairment loss of goodwill	769	–	–	7,160
Deferred income taxes	1,868	1,542	(1,546)	17,393
Decrease (increase) in notes and accounts receivable	192	(1,113)	5,568	1,788
(Increase) decrease in inventories	(1,692)	2,165	(2,050)	(15,754)
(Increase) decrease in other current assets	(1,187)	427	763	(11,052)
Increase (decrease) in notes and accounts payable	1,317	(2,267)	(564)	12,263
Increase (decrease) in income taxes payable	1,354	(210)	143	12,607
Increase (decrease) in other current liabilities	1,035	250	(350)	9,637
(Decrease) increase in retirement benefits	(4,301)	(2,182)	2,602	(40,047)
Other, net	345	1,072	868	3,212
Net cash provided by operating activities	22,405	18,023	17,533	208,613
Cash flows from investing activities:				
Purchases of investment securities (Note 4)	(420)	(3,582)	(1,389)	(3,911)
Proceeds from sale of marketable securities and investment securities	2,274	0	330	21,173
Purchases of property, plant and equipment	(8,736)	(6,489)	(10,576)	(81,341)
Proceeds from sale of property, plant and equipment	178	199	451	1,657
Payment for business acquisition (Note 4)	(397)	(517)	–	(3,696)
Proceeds from purchase of investment securities with change in scope of consolidation (Note 4)	–	4,076	–	–
Increase in short-term loans receivable (Note 4)	(11)	(3,893)	–	(102)
Decrease (increase) in long-term loans receivable	28	64	(155)	261
Other	(371)	328	(710)	(3,454)
Net cash used in investing activities	(7,455)	(9,814)	(12,049)	(69,413)
Cash flows from financing activities:				
(Decrease) increase in short-term debt	(4,142)	4,221	1,974	(38,566)
Repayments of long-term debt	(1,220)	(292)	(634)	(11,359)
Cash dividends paid	(2,375)	(2,375)	(2,373)	(22,114)
Cash dividends paid to minority shareholders	(703)	(477)	(478)	(6,545)
Proceeds from issuance of stock to minority interests	–	500	–	–
Fixed deposits pledged	(2,069)	–	–	(19,264)
Other	(50)	(20)	(86)	(467)
Net cash used in (provided by) financing activities	(10,559)	1,557	(1,597)	(98,315)
Effect of exchange rate changes on cash and cash equivalents	310	(1,557)	(525)	2,886
Net increase in cash and cash equivalents	4,701	8,209	3,362	43,771
Cash and cash equivalents at beginning of year	37,966	29,361	27,224	353,501
Increase in cash and cash equivalents due to addition of consolidated subsidiaries	–	539	154	–
Decrease in cash and cash equivalents due to exception of consolidated subsidiaries	–	–	(288)	–
Other (Note 2)	–	(143)	(1,091)	–
Cash and cash equivalents at end of year	¥ 42,667	¥37,966	¥ 29,361	$397,272
Supplemental information on cash flows:				
Cash paid during the year for:				
Interest	¥ 418	¥ 390	¥ 399	$ 3,892
Income taxes	2,141	2,054	2,266	19,935
Non-cash investing and financing activities:				
Conversion of convertible bonds into common stock and capital surplus	–	–	276	–
Increase in capital surplus due to share exchange	–	–	94	–

See accompanying notes.

Notes to Consolidated Financial Statements

Sumitomo Bakelite Company, Limited and Consolidated Subsidiaries

1. Basis of presenting consolidated financial statements

Sumitomo Bakelite Company Limited (the “Company”) is a Japanese corporation, one of the affiliated companies of Sumitomo Chemical Co., Ltd., which directly owns 20.8% (at March 31, 2005) of the Company’s voting shares. The Company and its consolidated domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Japanese Commercial Code (the “Code”) and accounting principles and practices generally accepted in Japan (“Japanese GAAP”). The accounts of consolidated overseas subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the respective countries of domicile. Certain Japanese GAAP are different from International Accounting Standards and standards in other countries in certain respects, as to application and disclosure requirements.

The accompanying consolidated financial statements are the translation of the audited consolidated financial statements of the Company which were prepared in accordance with Japanese GAAP and were filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. The consolidated statements of shareholders’ equity for 2005, 2004 and 2003 have been prepared for the purpose of inclusion in the accompanying consolidated financial statements, although such statements were not required for domestic purposes and were not filed with the regulatory authorities.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2005, which was ¥107.4 to US$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

2. Summary of significant accounting policies

Consolidation

The consolidated financial statements include the accounts of the Company and its significant subsidiaries (the “Companies”), numbering 44 subsidiaries in 2005 and 2004, 31 subsidiaries in 2003. All significant intercompany balances and transactions have been eliminated in consolidation.

The other subsidiaries are excluded from the consolidation scope because the effect of their net sales, net income or losses, total assets and retained earnings on the accompanying consolidated financial statements are immaterial.

Investments in significant affiliated companies (7 affiliates in 2005 and 2004, 8 affiliates in 2003, generally 20%-50% owned), over which the Company has the ability to exercise significant influence over operating and financial policies are stated at cost adjusted for equity in undistributed earnings and losses since acquisition.

The investments in unconsolidated subsidiaries and certain affiliated companies are not accounted for by the equity method, and are stated at cost because the effect of their net income or losses and retained earnings on the accompanying consolidated financial statements is immaterial.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiaries.

The excess of the cost over underlying net equity of investments in consolidated subsidiaries and other companies accounted for by the equity method at the date of acquisition is charged to income as incurred. However, when it is significant, it is deferred and amortized on a straight-line basis over a period of five years from the date of acquisition.

Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase are considered to be cash and cash equivalents.

Securities

Securities are classified into one of the following categories based on the intent of holding, resulting in the different measurement and accounting for the changes in fair value. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries and affiliated companies, which are not consolidated or accounted for using the equity method, are stated at moving-average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Other available-for-sale securities with no available fair market values are stated at moving-average cost.

Significant declines in fair market value or the net asset value of held-to-maturity debt securities, equity securities, not on the equity method, issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities, judged to be other than temporary, are charged to income.

Derivatives and hedge accounting

The Companies are required to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

If derivative financial instruments are used as hedges and meet certain hedging criteria, the Companies defer recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized.

However, in cases where forward foreign exchange contracts are used as hedges and meet certain hedging criteria, hedging instruments and hedged items are accounted for in the following manner:

1. If a forward foreign exchange contract is executed to hedge an existing foreign currency receivable,
   (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable translated using the spot rate at the inception date of the contract and the book value of the receivable is recognized in the income statement in the period, which includes the inception date, and
   (b) the discount or premium on the contract (that is, the difference between the Japanese yen amount of the contract translated using the contracted forward rate and that translated using the spot rate at the inception date of the contract) is recognized over the term of the contract.
2. If a forward foreign exchange contract is executed to hedge a future transaction denominated in a foreign currency, the future transaction will be recorded using the contracted forward rate, and no gains or losses on the forward foreign exchange contract will be recognized.

Allowance for doubtful accounts

The allowance for doubtful accounts is determined by adding the uncollectible amounts, individually estimated for doubtful accounts, to the amount calculated by a certain rate, based on past collection experience.

Inventories

Inventories are accounted for mainly at cost determined by the moving-average method.

Property, plant and equipment

Property, plant and equipment are carried at cost. The Company and its consolidated domestic subsidiaries calculate depreciation principally by the declining-balance method at rates based on the estimated useful lives of assets. Buildings and structures of the Company's head office and other buildings, excluding building fixtures, acquired after March 31, 1998 are depreciated using the straight-line method. The consolidated overseas subsidiaries calculate depreciation principally by the straight-line method over estimated useful lives.

Effective April 1, 2003, some consolidated overseas subsidiaries changed the estimated useful lives of buildings, machinery and equipment. This change was made in order to conform their estimated useful lives to actual operating level. The effect of this change was to increase operating income and income before income taxes and minority interests by ¥397 million for the year ended March 31, 2004 as compared to the prior useful lives.

In the year ended March 31, 2004 and 2005, the Company did not adopt early the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted in periods beginning on or after April 1, 2005, but the standard does not prohibit earlier adoption. The Company will adopt these standards effective April 1, 2005.

The Company has begun its analysis of possible impairment of fixed assets. The Company cannot currently estimate the effect of adoption of the new standard, because the Company has not yet completed its analysis. However, adoption of the new standard could have a certain effect on the Company's financial statements.

Accounting for certain lease transactions

Finance leases, which do not transfer ownership, or those which do not have a bargain purchase option provision are accounted for in the same manner as operating leases in accordance with Japanese GAAP.

Accrued employees' bonuses

The Company and its consolidated domestic subsidiaries accrue the amounts of employees' bonuses based on estimated amounts to be paid in the subsequent period.

Bonuses to directors and statutory auditors

Bonuses to directors and statutory auditors, which are subject to shareholders' approval at the annual shareholders' meeting, are accounted for as an appropriation of retained earnings.

Employees' severance and retirement benefits

The Company and certain consolidated subsidiaries provide two types of post-employment benefit plans, unfunded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Company and certain consolidated subsidiaries provided an allowance for employees' severance and retirement benefits at balance sheet dates based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at these dates.

The Company and certain consolidated subsidiaries contributed investment securities worth ¥2,066 million to the employees' retirement benefit trust, and the resulting gain amounting to ¥904 million was recognized in the year ended March 31, 2003. Prior service costs and actuarial gains and losses are mainly recognized in the statements of income when they are determined actuarially.

In fiscal 2004, the Company terminated a certain portion of the employees' retirement benefit trust, and the resulting gain amounting to ¥1,217 million was recognized in the year ended March 31, 2004.

Research and development

Research and development expenses are charged to income when incurred. The amounts for the years ended March 31, 2005, 2004 and 2003 were ¥11,043 million ($102,821 thousand), ¥10,139 million and ¥10,234 million, respectively.

Income taxes

The Companies recognize tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Translation of foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at year-end rates.

Translation of foreign currency financial statements

Financial statements of consolidated overseas subsidiaries are translated into Japanese yen at the year-end rates for balance sheets and at the annual average rates for statements of income, except that shareholders' equity accounts are translated at historical rates and income statement items relating to transactions with the Company at the rates used by the Company.

Amounts per share of common stock

The computations of net income per share are based on the weighted average number of shares outstanding during the relevant year.

Diluted net income per share is computed based on the average number of shares of common stock and contingent issuances of common stock from convertible bonds. Diluted net income per share in 2003 is not disclosed, because there was no latent stock that diluted net income per share at March 31, 2003.

Cash dividends per share represent the cash dividends approved by the shareholders and paid in the respective year, including payment after the year-end.

Reclassifications

Certain prior year amounts have been reclassified to conform to the year 2005 presentation. These changes had no impact on previously reported results of operations or shareholders' equity.

3. Change in accounting policies

Effective from the year ended March 31, 2005, the Company adopted the new accounting standard for employees' severance and retirement benefits (Accounting Standard Board Statement No. 3, "Partial Revision of the Accounting Standard for Retirement Benefits" and the Financial Standards Implementation Guidance No. 7, "Implementation Guidance for Partial Revision of the Accounting Standard for Retirement Benefits", issued by the Accounting Standard Board of Japan on March 16, 2005), as the accounting standard and the implementation guidance may be adopted from the year ended March 31, 2005.

The effect of this change was to increase operating income and income before income taxes by ¥3,318 million ($30,894 thousand) for the year ended March 31, 2005 as compared to the prior method.

4. Business acquisition

(1) In the year ended March 31, 2004, the Companies acquired Fers Resins, S.A. and its subsidiaries, ("Fers Group"), which manufacture the industrial phenolic resins mainly used for friction materials, and an epoxy resin molding compounds business for encapsulation of semiconductor devises and related assets of Toray Industries Inc.

Components of these purchases were as follows:

	Millions of yen
Purchase of shares of Fers Group	¥4,907
Purchase of properties and equipment	373
Various expenses related with the acquisitions	144
	¥5,424

In the statement of income for the year ended March 31, 2004, the Companies recognized the related expenses amounting to ¥144 million as cost of business acquisition. In addition, in the statement of cash flows for the year ended March 31, 2004, payment for purchase of shares of Fers Group was included in purchases of investment securities and increase in short-term receivables, amounting to ¥1,059 million and ¥3,848 million, respectively.

(2) Assets and liabilities of the subsidiaries newly consolidated in 2004 by means of a tender offer at the inception of consolidation are as follows. (Tsutsunaka Plastic Industry Co., Ltd. and its 7 subsidiaries)

	Millions of yen
Current assets	¥36,330
Fixed assets	20,275
Total assets	¥56,605
Current liabilities	¥21,942
Long-term liabilities	1,891
Total liabilities	¥23,833

5. Securities

(1) The following tables summarize acquisition costs and book values of available-for-sale securities with available fair values as of March 31, 2005 and 2004:

Securities with book values exceeding acquisition costs:

	Millions of yen		
At March 31, 2005	Acquisition cost	Book value	Difference
Equity securities	¥4,130	¥8,353	¥4,223
Bonds	56	58	2
Others	–	–	–
Total	¥4,186	¥8,411	¥4,225

	Millions of yen		
At March 31, 2004	Acquisition cost	Book value	Difference
Equity securities	¥6,312	¥10,471	¥4,159
Bonds	56	58	2
Others	–	–	–
Total	¥6,368	¥10,529	¥4,161

	Thousands of U.S. dollars		
At March 31, 2005	Acquisition cost	Book value	Difference
Equity securities	$38,455	$77,775	$39,320
Bonds	521	540	19
Others	–	–	–
Total	$38,976	$78,315	$39,339

Securities with available fair values not exceeding book values:

	Millions of yen		
At March 31, 2005	Acquisition cost	Book value	Difference
Equity securities	¥2,590	¥2,377	¥(213)
Bonds	–	–	–
Others	–	–	–
Total	¥2,590	¥2,377	¥(213)

	Millions of yen		
At March 31, 2004	Acquisition cost	Book value	Difference
Equity securities	¥570	¥535	¥(35)
Bonds	–	–	–
Others	–	–	–
Total	¥570	¥535	¥(35)

	Thousands of U.S. dollars		
At March 31, 2005	Acquisition cost	Book value	Difference
Equity securities	$24,115	$22,132	$(1,983)
Bonds	–	–	–
Others	–	–	–
Total	$24,115	$22,132	$(1,983)

The Companies recognize impairment loss for the securities, whose available fair values significantly decline more than 50% of the carrying amount. In addition, the Companies also recognize impairment loss, when the available fair values decline more than 30% to 50% of the carrying amount and such situation continues twice at the end of each semi-annual period. The amounts of impairment loss for the years ended March 31, 2004 was ¥73 million. As impairment loss was recognized in the statements of income, the above tables of available-for-sale securities exclude such securities written down to fair values.

(2) Total sales of available-for-sale securities sold and the related gains and losses in the years ended March 31, 2005, 2004 and 2003 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Sales of available-for-sale securities	¥2,274	¥0	¥330	$21,173
Gains on sales of available-for-sale securities	148	0	182	1,378
Losses on sales of available-for-sale securities	–	–	–	–

(3) The following table summarizes book values of available-for-sale securities with no available fair values as of March 31, 2005 and 2004:

	Millions of yen		Thousands of U.S. dollars
At March 31	**2005**	2004	**2005**
Non-listed equity securities	¥ 877	¥2,783	$ 8,166
Non-listed convertible bonds	300	300	2,793
Others	7	13	65
Total	¥1,184	¥3,096	$11,024

(4) Available-for-sale securities with maturities at March 31, 2005 are as follows:

	Millions of yen				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Bonds					
Government bonds	¥ –	¥ –	–	–	¥ –
Corporate bonds	7	351	–	–	358
Others	–	–	–	–	–
Total	¥ 7	¥351	–	–	¥358

	Thousands of U.S. dollars				
	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years	Total
Bonds					
Government bonds	$ –	$ –	–	–	$ –
Corporate bonds	65	3,268	–	–	3,333
Others	–	–	–	–	–
Total	$65	$3,268	–	–	$3,333

6. Derivative financial instruments

The Companies utilize derivative financial instruments such as foreign currency forward contracts to reduce market risks of fluctuations in foreign currency exchange rates on assets and liabilities. The Companies do not hold or issue derivative financial instruments for trading purposes.

The Companies are exposed to credit risk in the event of nonperformance by counterparties to derivative financial instruments, but such risk is considered minor because of the high credit rating of the counterparties.

The Companies enter into derivative financial instruments as a hedge for existing assets and liabilities denominated in foreign currencies, arising from operating activities.

According to the accounting standard for financial instruments, market value and other information on derivative financial instruments at March 31, 2005 and 2004 are not subjected to disclosure, because the Companies adopted hedge accounting for those instruments.

7. Inventories

Inventories at March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Finished goods	¥12,794	¥12,732	$119,125
Semi-finished goods	2,774	2,332	25,829
Work in process	1,631	1,356	15,186
Raw materials and supplies	9,445	8,278	87,942
	¥26,644	¥24,698	$248,082

8. Short-term debt and long-term debt

Short-term debt consists of bank loans and commercial paper. The composition of short-term debt and its interest rates at March 31, 2005 and 2004 was as follows:

At March 31, 2005	Millions of yen	Thousands of U.S. dollars	Interest rates
Bank loans	¥10,024	$ 93,333	0.26%–6.75%
Commercial paper	8,000	74,488	0.02%
	¥18,024	$167,821	

At March 31, 2004	Millions of yen	Interest rates
Bank loans	¥10,090	0.30%–4.63%
Commercial paper	12,000	0.01%
	¥22,090	

Long-term debt at March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
1.2% domestic convertible bonds convertible into common stock at ¥716 ($7) per share due 2006	¥20,183	¥20,183	$187,923
Secured loans from banks due through 2006 with interest rates ranging from 2.08% to 2.20% at March 31, 2005	187	377	1,741
Unsecured loans from a bank and organizations due through 2011 with interest rates ranging from 1.90% to 3.49% at March 31, 2005	34	1,023	317
	20,404	21,583	189,981
Less amount due within one year	(204)	(522)	(1,899)
	¥20,200	¥21,061	$188,082

The indentures relating to the 1.2% domestic convertible bonds place a limitation on the payment of cash dividends which shall not exceed, on a cumulative basis, ¥3,800 million ($35,382 thousand) plus the aggregate amount of earnings of the Company (as defined in the indentures) during the years, for which the bonds are outstanding. In this connection interim cash dividends are regarded as a part of the cash dividends made in the previous period.

At March 31, 2005, the number of common stock issuable upon full conversion of outstanding convertible bonds was 28,188 thousand shares.

The annual maturities of long-term debt at March 31, 2005 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2006	¥ 204	$ 1,899
2007	20,186	187,951
2008	3	28
2009	3	28
2010	3	28
2011 and thereafter	5	47

At March 31, 2005, assets pledged as collateral were as follows:

	Millions of yen	Thousands of U.S. dollars
Fixed deposits	¥2,067	$19,246
Buildings	2,088	19,441
Land	139	1,294

At March 31, 2005, obligations with collateral pledged were as follows:

	Millions of yen	Thousands of U.S. dollars
Short-term debt	¥402	$3,743
Long-term debt	187	1,741
	589	5,484
Contingent liability	337	3,138
	¥926	$8,622

9. Income taxes

The Companies are subject to several taxes based on income, which are corporation tax, inhabitants tax and enterprise tax. The aggregate statutory tax rates on income before income taxes were approximately 40.6% for the year ended March 31, 2005 and 42% for the years ended March 31, 2004 and 2003.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Deferred tax assets:			
Retirement benefits of employees	¥ 4,826	¥ 4,666	$ 44,935
Amortization of prior service cost of the pension plan	3,403	4,284	31,685
Excess depreciation in overseas subsidiaries	2,714	2,686	25,270
Tax loss carryforwards	1,655	1,392	15,410
Excess bonuses accrued	1,174	1,047	10,931
Loss on devaluation of securities	405	215	3,771
Cost of business acquisition	294	369	2,737
Retirement benefits of directors, statutory auditors and officers	284	283	2,644
Provision for doubtful accounts	277	316	2,579
Unrealized gains on property, plant and equipment	206	247	1,918
Others	1,436	1,858	13,371
Total deferred tax assets	16,674	17,363	155,251
Valuation allowance	(3,139)	(2,808)	(29,227)
Net deferred tax assets	¥ 13,535	¥ 14,555	$ 126,024
Deferred tax liabilities:			
Contribution to funded non-contributory pension plan	¥ (3,374)	¥ (2,637)	$ (31,415)
Gain on securities contributed to employees' retirement benefit trust	(3,289)	(2,883)	(30,624)
Additional depreciation in overseas subsidiaries	(2,944)	(3,014)	(27,412)
Deferred gains on property, plant and equipment	(2,410)	(2,506)	(22,439)
Net unrealized holding gains on securities	(1,625)	(1,672)	(15,130)
Gain on dissolution of employees' retirement benefit trust	(927)	(927)	(8,631)
Others	(744)	(875)	(6,928)
Total deferred tax liabilities	¥(15,313)	¥(14,514)	$(142,579)
Net deferred tax assets	¥ (1,778)	¥ (41)	$ (16,555)

The differences between the statutory tax rate and the Companies' actual effective tax rate for financial statement purposes for the years ended March 31, 2005, 2004 and 2003 were as follows:

	2005	2004	2003
Statutory tax rate	40.6%	42.0%	42.0%
Permanently non-deductible expenses	1.1	2.4	10.8
Permanently non-taxable income	(1.8)	(5.3)	(34.5)
Deficits of consolidated subsidiaries	6.2	1.9	64.7
Dividend income eliminated in consolidation	4.8	8.7	67.4
Equity in losses of affiliated companies	(0.8)	3.2	27.6
Tax credit	(3.9)	(7.1)	(14.3)
Effect of differences between tax rates in Japan and in other countries	(14.8)	(16.6)	(87.3)
Other, net	1.3	(0.2)	0.6
Actual effective tax rate	32.7%	29.0%	77.0%

10. Employees' severance and pension benefits

As explained in Note 2 (Employees' severance and retirement benefits), the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The liabilities for severance and retirement benefits included in the liabilities section of the consolidated balance sheets as of March 31, 2005 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
At March 31	2005	2004	2005
Projected benefit obligation	¥ 29,679	¥ 28,689	$ 276,341
Less fair value of pension assets	(28,283)	(23,555)	(263,343)
Less unrecognized actuarial differences	(1,475)	(1,009)	(13,734)
Unrecognized prior service costs	646	708	6,015
Prepaid benefit expenses (Other assets)	4,704	98	43,799
Liability for severance and retirement benefits	¥ 5,271	¥ 4,931	$ 49,078

Severance and retirement benefit expenses, included in the consolidated statements of income for the years ended March 31, 2005, 2004 and 2003 are comprised of the following:

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	2005
Service costs—benefits earned during the year	¥ 1,340	¥ 1,003	¥ 963	$ 12,477
Interest cost on projected benefit obligation	734	814	837	6,834
Expected return on plan assets	(579)	(144)	(402)	(5,391)
Amortization of actuarial differences	(3,154)	(601)	4,631	(29,367)
Amortization of prior service costs	(73)	(76)	(27)	(680)
Severance and retirement benefit expenses	¥(1,732)	¥ 996	¥6,002	$(16,127)
Reversal of severance and retirement benefit expenses upon dissolution of the employee retirement benefit trust	–	(1,065)	–	–
Net	¥(1,732)	¥ (69)	¥6,002	$(16,127)

The discount rates and rates of expected return on plan assets used by the Companies are as follows:

	2005	2004	2003
Discount rate:			
Domestic companies	2.0%	2.0%	3.0%
Overseas companies	4.5%–6.3%	6.5%–7.3%	6.5%
Expected return on plan assets	2.0%	0.0%	1.5%

The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years. Prior service cost and actuarial gains/losses are mainly recognized in the statements of income when they are determined actuarially.

11. Shareholders' equity

Under the Code, at least 50% of the issue price of new shares is required to be designated as stated capital. The portion that is to be designated as stated capital is determined by resolution of the Board of Directors. Proceeds in excess of the amounts designated as stated capital are credited to additional paid-in capital, which is included in capital surplus.

The Code provides that an amount equal to at least 10% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal reserve until the total amount of legal reserve and additional paid-in capital equals 25% of common stock. The legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the shareholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal reserve and additional paid-in capital remains equal to or exceeds 25% of common stock, it is available for distribution by resolution of the shareholders' meeting. At March 31, 2005 and 2004, legal reserves of the Company amounting to ¥4,137 million ($38,520 thousand) were included in retained earnings in the accompanying consolidated financial statements.

The maximum amount that the Company can distribute as dividends is calculated based on the non-consolidated financial statements of the Company in accordance with the Code.

In the year ended March 31, 2003, the Company issued shares relating to a share exchange with minority shareholders of Yamaroku Kasei Industry Co., Ltd.

12. Information on lease transactions

The following proforma amounts present the acquisition cost, accumulated depreciation and net book value of the property leased to the Companies as of March 31, 2005 and 2004, which would have been reflected in the balance sheets if finance leases other than those that transfer the ownership of the leased property to the Companies (which are currently accounted for in the same manner as operating leases) were capitalized.

	Millions of yen		
At March 31, 2005	Machinery and equipment	Other assets	Total
Acquisition cost, accumulated depreciation and net book value of leased assets:			
Acquisition cost	¥1,075	¥164	¥1,239
Accumulated depreciation	624	121	745
Net book value	¥ 451	¥ 43	¥ 494

At March 31, 2004	Millions of yen Machinery and equipment	 Other assets	 Total
Acquisition cost, accumulated depreciation and net book value of leased assets:			
Acquisition cost	¥1,586	¥166	¥1,752
Accumulated depreciation	1,097	132	1,229
Net book value	¥ 489	¥ 34	¥ 523

At March 31, 2005	Thousands of U.S. dollars Machinery and equipment	 Other assets	 Total
Acquisition cost, accumulated depreciation and net book value of leased assets:			
Acquisition cost	$10,009	$1,527	$11,536
Accumulated depreciation	5,810	1,126	6,936
Net book value	$ 4,199	$ 401	$ 4,600

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Future lease payments:			
Due within one year	¥221	¥285	$2,058
Due after one year	292	251	2,719
Total	¥513	¥536	$4,777

	Millions of yen			Thousands of U.S. dollars
	2005	2004	2003	**2005**
Lease payments, depreciation and interest expense:				
Lease payments	¥356	¥339	¥352	$3,315
Depreciation	318	287	318	2,961
Interest expense	37	44	32	345

An amount equal to the depreciation is calculated based on the useful life of the lease term and a residual value of zero.

An amount equal to the total interest expense is the difference between the total lease payments and the acquisition cost of leased assets, and is allocated over the lease term mainly by the interest method.

Operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2005	2004	**2005**
Future lease payments:			
Due within one year	¥11	¥ 5	$102
Due after one year	8	6	75
Total	¥19	¥11	$177

13. Segment information

Information by business segment for the years ended March 31, 2005 and 2004 is as follows :

	Millions of yen							
Year ended March 31, 2005	Semiconductor and display materials	Circuits and electronic component materials	High performance plastics	Quality of life products	Others	Total	Eliminations or corporate	Consolidated
Sales:								
Outside customers	¥56,442	¥41,369	¥52,742	¥72,151	¥770	¥223,474	¥ –	¥223,474
Inter-segment	22	–	1,269	397	144	1,832	(1,832)	–
Total sales	56,464	41,369	54,011	72,548	914	225,306	(1,832)	223,474
Operating expenses	43,778	38,340	51,991	68,781	552	203,442	361	203,803
Operating income	¥12,686	¥ 3,029	¥ 2,020	¥ 3,767	¥362	¥ 21,864	¥ (2,193)	¥ 19,671
Identifiable assets	¥55,109	¥48,777	¥57,566	¥77,446	¥809	¥239,707	¥14,115	¥253,822
Depreciation and amortization	2,694	2,598	3,055	2,807	129	11,283	268	11,551
Capital expenditures	1,719	1,979	2,555	3,294	63	9,610	214	9,824

"Eliminations or corporate" in the "Operating expenses" row of the above information included corporate expenses of ¥2,178 million ($20,279 thousand) in the year ended March 31, 2005, which consisted principally of basic research and development costs and general and administrative costs accounted by the Company.

"Eliminations or corporate" in the "Identifiable assets" row of the above information included corporate assets of ¥14,645 million ($136,359 thousand) at March 31, 2005, which consisted principally of cash, time deposits, loans receivable, investments in securities, basic research and development assets and general and administrative assets held by the Company.

Certain products that were previously included in the Circuits and electronic component materials segment are included in the High performance plastics segment from the year ended March 31, 2005. In light of the recent changes in product-mix, the Company reexamined its products in terms of their primary uses and their classification for internal control purposes.

As a result, the Company decided to change segmentation of certain products from the Circuits and electronic component materials segment to the High performance plastics segment in order to more appropriately present the Companies' operations.

As a result of this change, sales, operating income, identifiable assets, depreciation and amortization, and capital expenditures decreased in the Circuits and electronic component materials segment by ¥2,175 million ($20,251 thousand), ¥328 million ($3,054 thousand), ¥2,188 million ($20,372 thousand), ¥123 million ($1,145 thousand), and ¥21 million ($196 thousand) respectively, and in the meanwhile, sales, operating income, identifiable assets, depreciation and amortization, and capital expenditures increased in the High performance plastics segment by the same amounts respectively compared with the previous accounting measures.

As explained in Note 3, effective from the year ended March 31, 2005, the Company adopted the new accounting standard for employees' severance and retirement benefits (Accounting Standard Board Statement No. 3, "Partial Revision of the Accounting Standard for Retirement Benefits" and the Financial Standards Implementation Guidance No. 7, "Implementation Guidance for Partial Revision of the Accounting Standard for Retirement Benefits", issued by the Accounting Standard Board of Japan on March 16, 2005), as the accounting standard and the implementation guidance may be adopted from the year ended March 31, 2005.

Such change had the following effects on each segment compared with the previous accounting measures:

(1) Operating income increased in the Semiconductor and display materials segment by ¥907 million ($8,445 thousand).

(2) Operating income increased in the Circuits and electronic component materials segment by ¥393 million ($3,659 thousand).
(3) Operating income increased in the High performance plastics segment by ¥851 million ($7,924 thousand).
(4) Operating income increased in the Quality of life products segment by ¥512 million ($4,767 thousand).
(5) Operating income increased in the Others segment by ¥0 million ($0 thousand).
(6) Unallocated operating expenses decreased in Eliminations or corporate by ¥655 million ($6,099 thousand).

	Millions of yen							
Year ended March 31, 2004	Semiconductor and display materials	Circuits and electronic component materials	High performance plastics	Quality of life products	Others	Total	Eliminations or corporate	Consolidated
Sales:								
Outside customers	¥55,494	¥40,221	¥44,395	¥29,457	¥682	¥170,249	¥ –	¥170,249
Inter-segment	25	–	1,136	418	66	1,645	(1,645)	–
Total sales	55,519	40,221	45,531	29,875	748	171,894	(1,645)	170,249
Operating expenses	43,517	37,359	44,033	27,907	503	153,319	2,002	155,321
Operating income	¥12,002	¥ 2,862	¥ 1,498	¥ 1,968	¥245	¥ 18,575	¥ (3,647)	¥ 14,928
Identifiable assets	¥50,661	¥47,364	¥53,334	¥75,261	¥756	¥227,376	¥17,336	¥244,712
Depreciation and amortization	2,659	2,743	2,635	1,189	83	9,309	324	9,633
Capital expenditures	1,702	1,400	1,946	1,238	100	6,386	228	6,614

"Eliminations or corporate" in the "Operating expenses" row of the above information included corporate expenses of ¥3,643 million in the year ended March 31, 2004, which consisted principally of basic research and development costs and general and administrative costs accounted by the Company.

"Eliminations or corporate" in the "Identifiable assets" row of the above information included corporate assets of ¥17,758 million at March 31, 2004, which consisted principally of cash, time deposits, loans receivable, investments in securities, basic research and development assets, and general and administrative assets held by the Company.

As described in Note 2, some consolidated overseas subsidiaries changed the estimated useful lives of buildings, machinery and equipment from the year ended March 31, 2004.

As a result of this change, operating income increased in the High performance plastics segment by ¥397 million.

	Thousands of U.S. dollars							
Year ended March 31, 2005	Semiconductor and display materials	Circuits and electronic component materials	High performance plastics	Quality of life products	Others	Total	Eliminations or corporate	Consolidated
Sales:								
Outside customers	$525,531	$385,186	$491,080	$671,797	$7,170	$2,080,764	$ –	$2,080,764
Inter-segment	205	–	11,816	3,696	1,341	17,058	(17,058)	–
Total sales	525,736	385,186	502,896	675,493	8,511	2,097,822	(17,058)	2,080,764
Operating expenses	407,616	356,983	484,088	640,419	5,141	1,894,247	3,361	1,897,608
Operating income	$118,120	$ 28,203	$ 18,808	$ 35,074	$3,370	$ 203,575	$(20,419)	$ 183,156
Identifiable assets	$513,119	$454,162	$535,996	$721,099	$7,532	$2,231,908	$131,425	$2,363,333
Depreciation and amortization	25,084	24,190	28,445	26,136	1,201	105,056	2,495	107,551
Capital expenditures	16,006	18,426	23,790	30,670	587	89,479	1,992	91,471

Information by geographic area for the years ended March 31, 2005 and 2004 is as follows:

	Millions of yen						
Year ended March 31, 2005	Domestic	Asia	North America	Others	Total	Eliminations or corporate	Consolidated
Sales:							
Outside customers	¥142,384	¥53,041	¥15,687	¥12,362	¥223,474	¥ –	¥223,474
Inter-segment	14,641	14,862	335	74	29,912	(29,912)	–
Total sales	157,025	67,903	16,022	12,436	253,386	(29,912)	223,474
Operating expenses	143,081	59,323	16,318	12,962	231,684	(27,881)	203,803
Operating income	¥ 13,944	¥ 8,580	¥ (296)	¥ (526)	¥ 21,702	¥ (2,031)	¥ 19,671
Identifiable assets	¥200,147	¥59,457	¥15,789	¥10,724	¥286,117	¥(32,295)	¥253,822

"Eliminations or corporate" in the "Operating expenses" row of the above information included corporate expenses of ¥2,178 million ($20,279 thousand) in the year ended March 31, 2005, which consisted principally of basic research and development costs and general and administrative costs accounted by the Company.

"Eliminations or corporate" in the "Identifiable assets" row of the above information included corporate assets of ¥14,645 million ($136,359 thousand) at March 31, 2005, which consisted principally of cash, time deposits, loans receivable, investments in securities, basic research and development assets and general and administrative assets held by the Company.

As explained in Note 3, effective from the year ended March 31, 2005, the Company adopted the new accounting standard for employees' severance and retirement benefits (Accounting Standard Board Statement No. 3, "Partial Revision of the Accounting Standard for Retirement Benefits" and the Financial Standards Implementation Guidance No. 7, "Implementation Guidance for Partial Revision of the Accounting Standard for Retirement Benefits", issued by the Accounting Standard Board of Japan on March 16, 2005), as the accounting standard and the implementation guidance may be adopted from the year ended March 31, 2005.

Such change had the following effects on each segment compared with the previous accounting measures:

(1) Operating income increased in the Domestic segment by ¥2,663 million ($24,795 thousand).

(2) Unallocated operating expenses decreased in Eliminations or corporate by ¥655 million ($6,099 thousand).

	Millions of yen						
Year ended March 31, 2004	Domestic	Asia	North America	Others	Total	Eliminations or corporate	Consolidated
Sales:							
Outside customers	¥ 96,865	¥49,867	¥14,529	¥ 8,988	¥170,249	¥ –	¥170,249
Inter-segment	13,104	10,253	310	108	23,775	(23,775)	–
Total sales	109,969	60,120	14,839	9,096	194,024	(23,775)	170,249
Operating expenses	99,037	52,442	15,044	9,153	175,676	(20,355)	155,321
Operating income	¥ 10,932	¥ 7,678	¥ (205)	¥ (57)	¥ 18,348	¥ (3,420)	¥ 14,928
Identifiable assets	¥192,357	¥53,309	¥16,473	¥10,114	¥272,253	¥(27,541)	¥244,712

"Eliminations or corporate" in the "Operating expenses" row of the above information included corporate expenses of ¥3,643 million in the year ended March 31, 2004, which consisted principally of basic research and development costs and general and administrative costs accounted by the Company.

"Eliminations or corporate" in the "Identifiable assets" row of the above information included corporate assets of ¥17,758 million at March 31, 2004, which consisted principally of cash, time deposits, loans receivable, investments in securities, basic research and development assets and general and administrative assets held by the Company.

As described in Note 2, some consolidated overseas subsidiaries changed the estimated useful lives of buildings, machinery and equipment from the year ended March 31, 2004.

As a result of this change, operating income increased in the Asia segment by ¥10 million and in the North America segment by ¥380 million and in the Others segment by ¥7 million.

	Thousands of U.S. dollars						
Year ended March 31, 2005	Domestic	Asia	North America	Others	Total	Eliminations or corporate	Consolidated
Sales:							
Outside customers	$1,325,736	$493,864	$146,061	$115,103	$2,080,764	$ –	$2,080,764
Inter-segment	136,322	138,380	3,119	689	278,510	(278,510)	–
Total sales	1,462,058	632,244	149,180	115,792	2,359,274	(278,510)	2,080,764
Operating expenses	1,332,225	552,356	151,937	120,690	2,157,208	(259,600)	1,897,608
Operating income	$ 129,833	$ 79,888	$ (2,757)	$ (4,898)	$ 202,066	$ (18,910)	$ 183,156
Identifiable assets	$1,863,567	$553,603	$147,011	$ 99,851	$2,664,032	$(300,699)	$2,363,333

Overseas sales for the years ended March 31, 2005 and 2004 were as follows:

	Millions of yen			
Year ended March 31, 2005	Asia	North America	Other	Total
Overseas sales	¥70,364	¥15,990	¥12,229	¥ 98,583
Consolidated net sales				223,474
Percent of consolidated net sales	31.5%	7.2%	5.4%	44.1%

	Millions of yen			
Year ended March 31, 2004	Asia	North America	Other	Total
Overseas sales	¥62,343	¥14,870	¥8,536	¥ 85,749
Consolidated net sales				170,249
Percent of consolidated net sales	36.6%	8.7%	5.0%	50.3%

	Thousands of U.S. dollars			
Year ended March 31, 2005	Asia	North America	Other	Total
Overseas sales	$655,158	$148,883	$113,864	$ 917,905
Consolidated net sales				2,080,764
Percent of consolidated net sales	31.5%	7.2%	5.4%	44.1%

14. Contingent liabilities

(1) At March 31, 2005, the Companies were contingently liable as follows:

(i) Repurchase of notes discounted and endorsed:	¥ 46 million	($ 428 thousand)
(ii) Repurchase of installment accounts receivable sold to a commercial finance company:	¥ 16 million	($ 149 thousand)
(iii) Guarantees for bank borrowings of employees:	¥ 2 million	($ 19 thousand)
(iv) Guarantee for bank borrowings of an association:	¥337 million	($3,138 thousand)

(2) In December 2004, a jury concluded that the Company was responsible for a portion of the damages claimed by Royal Philips Electronics and certain subsidiaries with regard to claims by a Philips customer that short circuits occurred in some IC packages that used the Company epoxy resin molding compound for the encapsulation of semiconductor devices. On the basis of the jury verdict, a judgment of approximately $14 million was entered in favor of Philips against the Company. The Company believes that the jury verdict was incorrect, and filed its notice of appeal in January 2005.

15. Subsequent events

(1) At the general meeting of shareholders of the Company held on June 29, 2005, retained earnings at March 31, 2005, were appropriated as follows:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends ¥5 ($0.04) per share	¥1,187	$11,052
Bonuses to directors and statutory auditors	80	745

(2) The Company and certain subsidiaries were named as parties in five lawsuits in the United States regarding claims of short circuits occurring in some IC packages that used epoxy resin molding compounds for the encapsulation of semiconductor devices. In April 2005, settlements were reached in two of these five lawsuits, including one with Fujitsu Limited. The Company's payment for the two settlements totaled US $50 million.

(3) Pursuant to the approval of the Board of Directors of the Company on March 28, 2005, the Company entered into an agreement to acquire all shares of Vyncolit N.V. and Vyncolit North America, Inc. on April 29, 2005. The following is summary information of the two companies to be acquired:

Purchase price: ¥11,400 million ($106,145 thousand)
Seller's name: Perstorp AB
Summary information of the companies:

(i) Vyncolit N.V.
Type of business: manufacturing and sales of phenolic molding compounds
Net sales (for the year ended December 2004) €37.8 million (approximately ¥5,200 million)
Total assets (as of December 31, 2004) €37.8 million (approximately ¥5,200 million)

(ii) Vyncolit North America, Inc.
Type of business: manufacturing and sales of phenolic molding compounds
Net sales (for the year ended December 2004) $31.8 million (approximately ¥3,400 million)
Total assets (as of December 31, 2004) $31.7 million (approximately ¥3,400 million)

The Company raised approximately €70 million (¥9,700 million) by short-term loans payable for financing the acquisitions.

Independent Auditors' Report

Sumitomo Bakelite Company, Limited and Consolidated Subsidiaries
Years ended March 31, 2005, 2004 and 2003

To the Board of Directors of
Sumitomo Bakelite Company, Limited:

We have audited the accompanying consolidated balance sheets of Sumitomo Bakelite Company, Limited (a Japanese corporation) and consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended March 31, 2005, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sumitomo Bakelite Company, Limited and consolidated subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2005, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following.

(1) As explained in Note 3 to the consolidated financial statements, Sumitomo Bakelite Company, Limited adopted the new accounting standard for employees' severance and retirement benefits (Accounting Standard Board Statement No. 3, "Partial Revision of the Accounting Standard for Retirement Benefits" and the Financial Standards Implementation Guidance No. 7, "Implementation Guidance for Partial Revision of the Accounting Standard for Retirement Benefits", issued by the Accounting Standard Board of Japan on March 16, 2005) for the year ended March 31, 2005.

(2) As explained in Note 15 to the consolidated financial statements, in April 2005, settlement agreements have been concluded for two of the lawsuits.

(3) As explained in Note 15 to the consolidated financial statements, Sumitomo Bakelite Company, Limited entered into an agreement to acquire all shares of Vyncolit N.V. and Vyncolit North America, Inc. on April 29, 2005.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

KPMG AZSA & Co.

Tokyo, Japan
June 29, 2005

In fiscal 2001, Sumitomo Bakelite introduced environmental accounting as an effective tool to implement business activities in line with environment conservation. Environmental accounting quantifies the cost and effect associated with environmental conservation activities. It is an excellent tool to promote environmentally conscious business activities more efficiently and enhance the understanding of our efforts through disclosure to our stakeholders.

With reference to “Environmental Accounting Guidelines 2000, 2002, 2005” released by the Ministry of the Environment, we established a framework for quantitatively measuring progress to reduce environmental burden. Under the framework, we continuously make efforts to evaluate environmental conservation activities based on our own compilation methods and enhance the effectiveness of our compilation methods through ongoing reviews and reassessment.

In fiscal 2001, we introduced environmental accounting at our five plants and two laboratories and subsequently, expanded its scope to all of our domestic business establishments including our affiliated companies (listed below).

Environmental Conservation Costs for Fiscal 2005

Item	Investment (Millions of yen)	Expenses (Millions of yen)	Description
(A) Reduction of environmentally hazardous emissions	¥ 65	¥ 173	• Renovation of waste water treatment equipment • Installation of drainage
(B) Energy conservation	36	15	• Installation of ceiling/roof insulation • Equipment of air conditioners
(C) Reduction of industrial waste, promotion of recycling, and waste treatment	72	628	• Introduction of distillation and reclamation equipment for waste solvents • Waste treatment
(D) Product evaluation at R&D stage	—	1,175	• R&D for environmentally friendly products
(E) Reduction of environmental burden of up & downstream	—	19	• Consignment fee to the Japan Containers and Packaging Recycling Association
(F) Environmental management activities	1	261	• Personnel cost for environmental management activities • Greening activities and maintenance for green space
(G) Contributions to social activities	—	1	• Activities for external communications
(H) Response to environmental damage	—	—	
Total	¥174	¥2,272	

Period: April 2004 to March 2005

Scope of Compilation: Sumitomo Bakelite Co., Ltd.

Amagasaki Plant, including subsidiaries and affiliated companies on the premise; Shizuoka Plant, including subsidiaries and affiliated companies on the premise; Utsunomiya Plant and Tsu Plants; 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.; Decolanitto Corporation’s Suzuka Plant

Compilation Method

- Compilations were implemented by the Company's Environmental Accounting Compilation Guideline based on Environmental Accounting Guidelines 2000, 2002, 2005 released by the Ministry of the Environment.
- With regard to the complex costs that include costs other than the environmental conservation purposes, the additional costs were complied after deducting from costs as usual.
- Economic effects were recorded for items compiled based on substantial evidence. Such presumptive calculations as risk avoidance effects for items were excluded.
- Expenses do not include depreciation costs.
- With regard to R&D, investment outlays and expenses were compiled in environment-related categories.

Effects of Environmental Conservation for Fiscal 2005

Reduction in Environmental Burden (Compared to the previous fiscal year)	**Environmental Burden** (Fiscal 2005)
Reduction in atmospheric emissions of solvents and others 365 tons	Atmospheric emissions of solvents and others 653 tons
Reduction in carbon dioxide emissions 1,581 tons	Carbon dioxide emissions 122,004 tons
Reduction in waste generated -2,760 * tons	Waste generated 10,209 tons
Reduction in landfill and external incineration of waste -1,059 ** tons	Landfill and external incineration of waste 1,622 tons

* Waste generated increased mainly because of expansion to the scope of compilation.
** Landfill and external incineration of waste increased because of expansion to the scope of compilation.

Economic Effects for Fiscal 2005

Item	**Amount** (Millions of yen)
(1) Reduction in costs due to energy conservation	¥ 29
(2) Reduction in costs through waste reduction	19
(3) Income from recycling	63
(4) Reduction in costs through internal recycling	291
(5) Reduction in costs through circulation of factory drain water	18
Total	¥420

The **Environmental & Social Report 2005** of Sumitomo Bakelite Co., Ltd., including environmental accounting, was independently reviewed by AZSA Sustainability Co., Ltd.

Board of Directors, Executive Officers and Corporate Auditors

Chairman
Tsuneo Moriya

President
Tomitaro Ogawa

Senior Managing Director
Iwao Yamaguchi

Managing Directors
Shigeru Hayashi
Takeichi Higashiguchi
Tamotsu Yahata

Directors
Akio Kosai
Osamu Kono

Managing Executive Officers
Takeshi Uchimura
Atsumi Okayama
Toyoji Okunishi
Nobuaki Sugimoto
Kiyoshi Fujita

Executive Officers
Masuo Mizuno
Tsuneo Terasawa
Koichiro Sekine
Masaei Yamada
Shinichiro Ito
Kazuhisa Hirano
Shigeki Muto
Takashi Wada

Corporate Auditors
Takaharu Hayashi
Shoji Kosaka
Yamato Mato
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Thermoplastic Products Research Laboratory
(Located at Amagasaki Plant)

Circuitry Materials Research Laboratory
(Located at Shizuoka Plant, Industrial Resin & Molding Materials Plant)

Molding Compound & Molding Parts Research Laboratory
(Located at Shizuoka Plant, Industrial Resin & Molding Materials Plant)

Industrial Resin Research Laboratory
(Located at Shizuoka Plant, Industrial Resin & Molding Materials Plant)

Information & Telecommunication Material Laboratories
Electronic Device Materials Research Laboratory I
Electronic Device Materials Research Laboratory II
Electronic Device Materials Research Laboratory III
(Located at Utsunomiya Plant)

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Incorporated:
January 25,1932

Number of Employees:
2,337

Major Subsidiaries and Affiliates:
**Advanced Plastics Compound Company
* Akita Sumitomo Bakelite Co., Ltd.
* Artlite Kogyo Co., Ltd.
* Bakelite Precision Molding (Shanghai) Co., Ltd.
Bakelite Trading (Shanghai) Co., Ltd.
* BASEC Hong Kong Limited
**CMK Singapore (Pte.) Ltd.
**CMKS (Malaysia) Sdn. Bhd.
* Decolanitto Corporation
* Durez Canada Co., Ltd.
* Durez Corporation
* Fenocast, S. A. U.
* Fers Resins, S. A. U.
* Hokkai Taiyo Plastic Co., Ltd.
* P. T. Indopherin Jaya
Japan Communication Accessories Manufacturing Co., Ltd.
* Kyushu Bakelite Industry Co., Ltd.
**Nippon Denkai Co., Ltd.
Otomo Chemical Co., Ltd.
**P. T. Pamolite Adhesive Industry
* Promerus, Llc.
* Rigidtex Sdn. Bhd.
* SB Holding, Inc.
* SB Flex Philippines, Inc.
S. B. Information System Co., Ltd.
S. B. Recycle Co., Ltd.
* S. B. Techno Plastics Co., Ltd.
S. B. TEG Co., Ltd.
* SNC Industrial Laminates Sdn. Bhd.
SPD Co., Ltd.
* ST Film Sheet Co., Ltd.
* ST-Techno Co., Ltd.
Sumibe Service Co., Ltd.
* Sumicarrier Singapore Pte. Ltd.
* SumiDurez Singapore Pte. Ltd.
* N. V. Sumitomo Bakelite Europe S. A.
* Sumitomo Bakelite Europe (Barcelona), S. L. U.
* Sumitomo Bakelite Hong Kong Co., Ltd.
* Sumitomo Bakelite Macau Co., Ltd.
* Sumitomo Bakelite Singapore Pte. Ltd.
* Sumitomo Bakelite (Suzhou) Co., Ltd.
* Sumitomo Bakelite (Taiwan) Co., Ltd.
Sumitomo Bakelite (Thailand) Co., Ltd.
* Sumitomo Bakelite Vietnam Co., Ltd.
* Sumitomo Plastics America, Inc.
**Sunbake Co., Ltd.
* Tsu-Kong Co., Ltd.
* Tsutsunaka Plastic Industry Co., Ltd.
* Vyncolit N. V.
* Vyncolit North America, Inc.
* Yamaroku Kasei Industry Co., Ltd.

* Consolidated Subsidiaries
** Affiliates to which the equity method is applied

(As of August 2005)

SUMITOMO BAKELITE CO., LTD.

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