SUMITOMO BAKELITE CO., LTD.

ANNUAL REPORT 2009

For the year ended March 31, 2009

Profile

Phenolic resin, 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 benefit current and future generations.

Financial Highlights

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	**2009**
Net Sales	**¥ 212,410**	¥ 225,252	¥ 255,374	**$ 2,163,035**
Net Income (Loss)	**(7,908)**	2,192	11,921	**(80,530)**
Total Assets	**215,853**	267,422	301,754	**2,198,096**
Shareholders' Equity	**124,573**	163,835	174,549	**1,268,564**
			Yen	U.S. dollars
Net Income (Loss) per Share	**¥ (31.78)**	¥ 8.40	¥ 47.18	**$ (0.32)**
Diluted Net Income per Share	**—**	—	45.33	**—**
Cash Dividends per Share	**15.00**	15.00	15.00	**0.15**

Note: U.S. dollar amounts are translated from yen at the rate of ¥98.2 to US$1, the approximate exchange rate as of March 31, 2009.

Contents

Tomitaro Ogawa
President

Business Environment Around Sumitomo Bakelite

The global economy during fiscal 2009, ended March 31, 2009, entered into worldwide recession due to a broadening series of negative events in the wake of the financial crisis that began in the United States and has rapidly engulfed the real economy. The Japanese economy suffered a significant drop in exports—which had been an economic growth driver—as well as in capital expenditures beginning in the second half of the fiscal year under review. These factors, in combination with deteriorating profitability resulting from rapid increases in yen rates, led to decreased corporate earnings. In addition, employment conditions and consumer spending rapidly worsened over the course of the fiscal year.

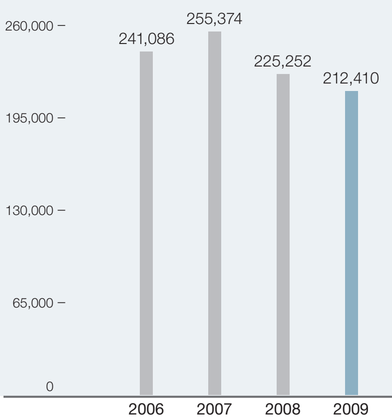
Amid the global economic conditions that confront the Sumitomo Bakelite Group, semiconductors used in mobile phones, personal computers and digital appliances performed relatively well in the first half of fiscal 2009. However, in the second half sales fell considerably as a result of a drop in product prices and the global recession. In the automobile sector, dramatic production adjustments were undertaken worldwide in reaction to a major downturn in sales in the United States, Europe and Japan as well as stagnant sales in newly emerging countries, beginning with China. On the domestic front, sales of mobile phones declined profoundly due to the completion of a series of new model releases and the introduction of a new payment system. In addition, new housing starts remained stagnant.

Overview of Fiscal 2009 Results

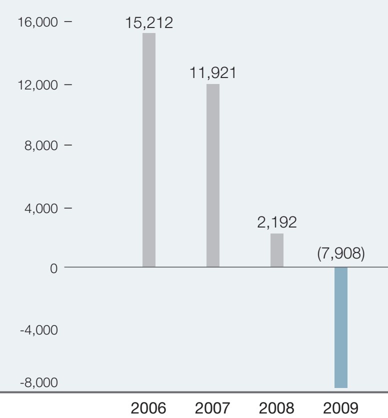
In an operating environment characterized by unparalleled severity, all Group companies are making efforts to change production and sales structures to accommodate actual demand and are undertaking across-the-board cost revisions.

Consequently, sales of IT-related materials and building-related materials fell due to the market deterioration accompa-

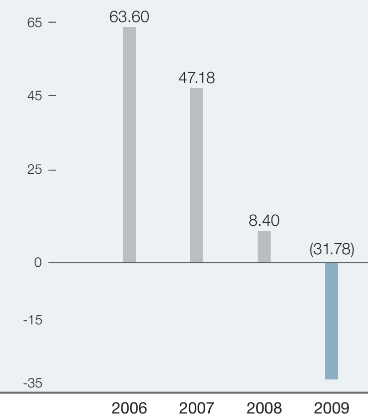
Net Sales
(Millions of yen)



Net Income (Loss)
(Millions of yen)



Net Income (Loss) per Share
(Millions of yen)



nying the rapid economic slowdown. In addition, with overseas subsidiaries experiencing a decline in net sales due to high yen exchange rates, consolidated net sales fell 5.7% compared with the previous fiscal year to ¥212,410 million. From the perspective of profits and losses, there was a ¥10,665 million year-on-year decline in consolidated operating income, resulting in a loss of ¥1,639 million. This was attributable to a ¥3,763 million actuarial adjustment for retirement allowances, which are amortized and charged to income each fiscal year, as well as the drop in sales. Consolidated ordinary income declined slightly to ¥490 million, and the Company recorded a consolidated net loss of ¥7,908 million for the fiscal year. Contributing factors included ¥4,081 million to cover the cost of business restructuring and loss on liquidation of business related to efforts to improve or eliminate business that have experienced difficulties for many years; a loss on devaluation of investment securities and a loss on valuation of investment securities of subsidiaries and affiliates totaling ¥4,175 million stemming from a drop in stock prices; and extraordinary losses, including a ¥1,514 million impairment loss.

The consolidated fiscal period for overseas subsidiaries was changed in the previous fiscal year, consequently, overseas subsidiaries' performance included in the Company's fiscal 2008 results is the outcome of a nine-month fiscal period from April 1, 2007 to December 31, 2007. Revisions of performance during the previous fiscal year were made by estimating a twelve-month period that includes these subsidiaries' net sales and profits/losses for the three-month period from January 1, 2007 to March 31, 2007 plus the results for the aforementioned nine-month period. Thus, performance comparisons that exclude the impact of actuarial adjustment for retirement allowances are as shown at the top of page 3. Performance estimates for fiscal 2008 have not been audited by an accounting auditor.

For the fiscal year under review, Sumitomo Bakelite declared a fiscal year-end dividend of ¥7.50 per common share. Added to the interim dividend paid, the full fiscal year cash dividend for fiscal 2009 is ¥15.00 per common share.

In the context of its fund procurement activities in the fiscal year under review, the Company did not increase its capital, issue corporate bonds or undertake extraordinary steps to raise funds. In view of the growing difficulty of procuring funds due to deteriorating corporate performance amid worsening economic conditions, Sumitomo Bakelite replaced funds in the form of commercial paper in the fiscal year under review with ¥5.0 billion in long-term debt. Total capital expenditures in fiscal 2009 amounted to ¥13,568 million.

Our Management Measures for Return to the Black in Fiscal 2010 and Growth Trends

With concerns of protracted economic recession in the United States and Europe as well a credit crunch that is growing in scope, there is no full-fledged recovery of the global economy on the horizon. It is forecasted that economic conditions in Japan will remain difficult despite signs that corporate production has partly ceased to decline thanks to the promotion of inventory adjustments and the effects of economic countermeasures being undertaken by countries worldwide.

To overcome this critical situation, the Group is implementing its own countermeasures which are as follows.

First, the Group will thoroughly undertake profit management during this period of declining demand by further

Comparison of Actual Performance (consolidated)

(Billions of yen)

	FY2009	FY2008	Change (%)
Net Sales	212.4	254.0	(16)
Operating Income	2.1	15.7	(86)
Ordinary Income	4.3	16.8	(75)
Net Income (Loss)	(5.7)	6.9	–

promoting across-the-board cost reductions based on revising production, inventories and personnel—all of which have been adjusted to more closely mirror real demand. In addition, no bonuses were granted to directors, auditors and executive officers, and further cuts in monthly compensation have been realized.

Second, the Company will undertake measures to conserve funds by managing credit more thoroughly, rapidly recovering debts that have accumulated over a long period of time and comprehensively managing such outflows as overhead and other expenses.

Three, Sumitomo Bakelite will further promote the liquidation of unprofitable businesses, including those that have become uncompetitive and non-core businesses that were operated by previously acquired subsidiary companies.

Through these countermeasures, the Company aims to improve operating income to approximately ¥5.0 billion.

Fourth, the Company will focus investment in its core businesses. Sumitomo Bakelite has established highly competitive businesses that retain favorable sales during this recessionary period and provide functions and services to specialty markets. Thus, by focusing the investment of its management resources in such businesses, the Company aims to maintain and expand its competitive superiority.

The immediate issue for the Group is to ensure profitability throughout fiscal 2010. On the basis of this, we aim to rapidly bring Sumitomo Bakelite back on track with growth trends that have been established in the medium-term management plan. For this reason, the Group is mobilizing its collective efforts with regard to core businesses to bring about a change towards a more muscular business structure by eliminating waste, thus promoting a move towards businesses that are able to achieve growth. In addition, we will promote the creation of new products and new businesses that meet the needs of the 21st Century by setting goals related to marketing and R&D initiatives for up-and-coming business segments.

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

June 2009

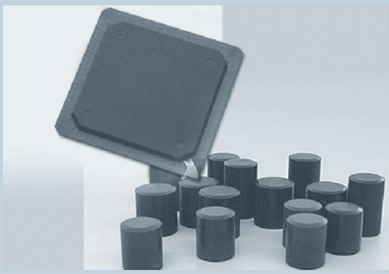
T. Ogawa

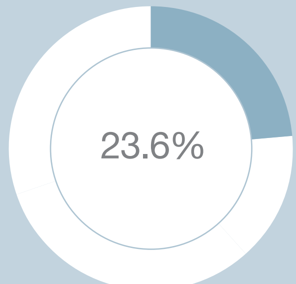
Tomitaro Ogawa
President

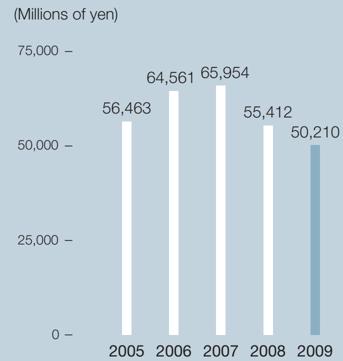
At a Glance

Segment	Segment Sales to Total Sales	Net Sales

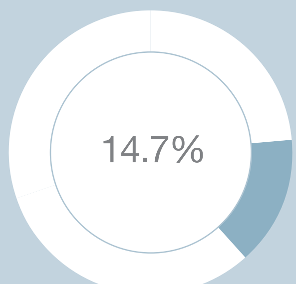
Semiconductors and Display Materials

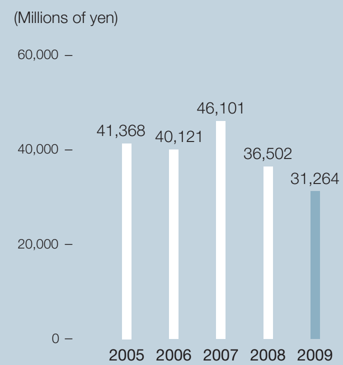




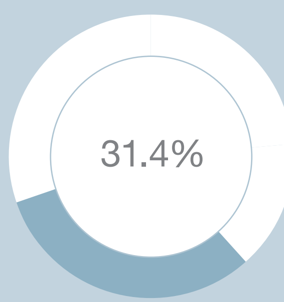


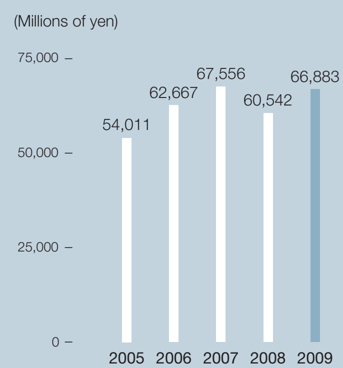
Circuit Products



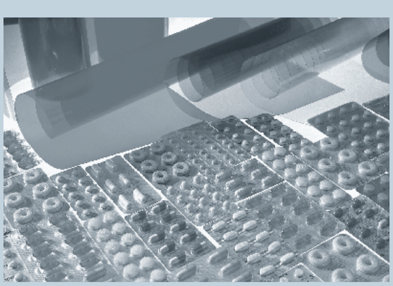


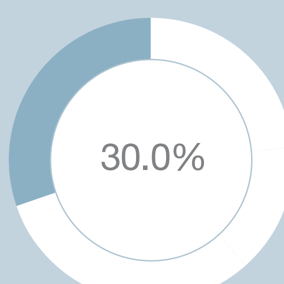
High-Performance Plastics

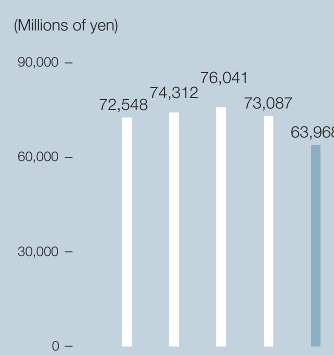




Quality of Life Products







Note: The Other segment recorded net sales of ¥855 million.

Overview

In the semiconductor and display materials segment, sales of mainstay products fell across the board due to a rapid fall in demand for semiconductors and inventory adjustments worldwide. Regarding the development of LαZ® substrate materials for thin packages, Sumitomo Bakelite commenced full-fledged business expansion, launching the LαZ Business Division in March 2009, upgrading structures for expanding production volume at the Industrial Laminates Plant in Shizuoka and obtaining orders of these products from some user markets.

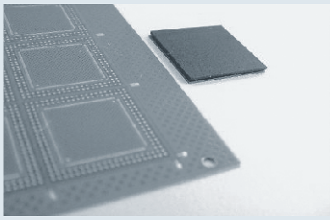
The sales of flexible printed circuits business retracted as a result of a further decline in demand for mainstay mobile phone applications. In addition, the Company continued to reorganize overall operations through such measures as the consolidation of general-purpose products manufacturing at Sumitomo Bakelite Vietnam Co., Ltd. and the transfer of a portion of highly functional product manufacturing from the Akita plant. Sales of epoxy resin copper-clad laminates fell due to a significant deterioration in the flat-screen television and vehicle-mounted application markets.

Although sales of phenolic molding compounds were firm in Asia and Europe in the first half of fiscal 2009, overall sales fell due to rapid deterioration in the global automobile market during the second half. In Europe, sales of phenolic resins for industrial use in such areas as tire resins were favorable in the first half of fiscal 2009 but declined as result of worsening market conditions in the second half. Nevertheless, phenolic sales increased slightly thanks to the inclusion in consolidation of Sunbake Co., Ltd.—which boasts an expanding adhesives business—at the end of the previous fiscal year. In response to expanding demand for phenolic resins for industrial use in the Chinese market, Sumitomo Bakelite (Nantong) Co., Ltd., was established in Nantong, Changshu, China to undertake local production of phenolic resins, commenced full-scale operations in April 2009. Sales of precision molded products decreased due to a decline in orders related to automobiles and electronic components.

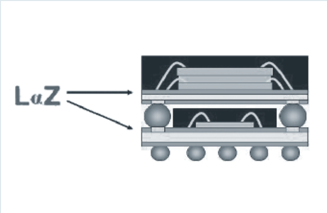
Medical device sales increased owing to favorable growth in sales of the Percutaneous Endoscopic Gastrostomy (PEG) buttons and the ORCA CV, a central venous access port. Moreover, construction of a new facility established in Dongguan City, Guangdong, China, to expand production capacity in response to robust demand was completed in October 2008. Despite the growth of the medical application field, sales of vinyl resin films and multilayered films and sheets dipped slightly due to the market deterioration for electronics applications. Despite the efforts of the plate business, which creates polycarbonate resin plates and vinyl resin plates and other products, to expand sales of such new products as Sunloid Lumiking® acrylic resin light guide panels for signboards, sales fell due to difficulties in the existing sign and display field. Sales of melamine resin decorative and fireproof laminates were also down because of a poor showing in such areas as finished goods. Owing to energetic sales expansion in the renovation field, sales of waterproofing system products grew.

1 Mass Production of LαZ Commences

In the IT material-related business, Sumitomo Bakelite established the LαZ Business Division in March 2009 to meet expanding demand for substrate materials for thin packages, thus beginning in earnest business operations for the LαZ®, a low-thermal expansive and heat-resistant copper clad laminate. Ever-growing demand for compact, slim and highly functional portable device mountable semiconductors is driving the increased use of the package on package (POP) technique in which two semiconductor packages are stacked at the core of a component. LαZ® is able to minimize and suppress warping during the mounting process even when thin substrates are used thanks to its low-thermal expansion and heat-resistant properties. This, as well as its ability to maintain stable connections for vertical packaging makes it well-suited for use as the POP bottom packages by major portable device manufacturers. Therefore, we have begun full production and sales and intend to grow this into a pillar of the IT material-related business in the future.



LαZ® substrate and package



Package on package (POP) structure

2 Endowed Chair Established in the Oligosaccharide Chain Function Analysis Field at Hokkaido University

In November 2008, Sumitomo Bakelite endowed a chair in the oligosaccharide chain function analysis field within the Faculty of Advanced Life Science of Hokkaido University to augment the growth of its bio-related businesses. Oligosaccharide chains are molecules that exist within living organisms. With breakthroughs being made regarding the relationship between oligosaccharide chains and cancer metastasis as well as oligosaccharide's active control functions with regard to antibody drugs, oligosaccharide chain research is expected to lead to new pharmaceuticals and diagnostic techniques. Sumitomo Bakelite launched BlotGlyco®, high throughput oligosaccharide purification beads developed through joint research conducted with Professor Shin-ichiro Nishimura, who concurrently holds the endowed chair. Furthermore, the use of BlotGlyco® is expanding within domestic and foreign pharmaceutical companies. The holder of the chair undertakes research and development into useful glycan arrays for oligosaccharide chain function analysis, a field expected to address increasing needs in the future. Through the early market release of glycan arrays, Sumitomo Bakelite aims create a de facto-global standard in this area. This is the result of integrating efforts made by Hokkaido University's Advanced Life Sciences and the Company's technological and marketing capabilities. In concert with pharmaceutical and medical devices companies, Sumitomo Bakelite is also playing a role in the creation of new industries by participating as a cooperative organization in a Hokkaido University project to become a future pharmacological and medical care innovation base.

BlotGlyco® kit

3 Strengthening the Marketing of High-Performance Plastics

Formerly, in each category of high performance plastics — resins, molding compounds and molded products — a separate organization undertook development and sales activities; however, these activities have been reorganized under a business organization that is categorized by automotive products and electronic/industrial materials. Consequently, a single products division that deals with all phenol resin-related products has been established for customers. By combining these efforts with a reorganization of research and manufacturing organizations, Sumitomo Bakelite is fully developing activities to realize customer satisfaction.

In addition, the Company newly established the Marketing Division to cultivate new markets by utilizing a phenol value chain that links together resins, molding compounds and molded products. Regarding R&D, the Company newly established the Basic Technology Research Department, which conducts material research from a different perspective in areas that include new polymer development.

At the same time, Sumitomo Bakelite opened the Automotive Solution Gallery at its laboratory in Shizuoka as part of a business vision that aims to propose total solutions for automobile-related products. Displaying the Company's technological solution achievements, future value and activities it has undertaken as specialty manufacturer, the gallery has become a space that impresses visitors and motivates them to do business with the Company. Together with customers, Sumitomo Bakelite will move forward with an eye to the future.

Automotive solution gallery

4 Expanding the Waterproofing Business

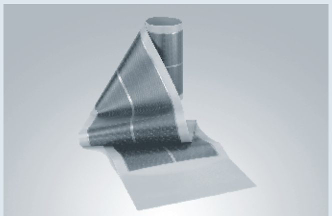
To further develop its waterproofing-related business, Sumitomo Bakelite is undertaking R&D into sheet waterproofing systems and the production of sheet and steel plate components, with sales and construction being overseen by the Group company Tsutsunaka Sheet Waterproof System Co., Ltd. Features of the waterproofing business range from the development of waterproof materials and waterproof system design to final construction and installation.

Recently, the Company has been developing new waterproof sheets that can be combined with solar power generation systems, as part of efforts to prevent global warming. Furthermore, by using a combination of modules that are lightweight and are able to be constructed with curved surfaces, Sumitomo Bakelite intends to supply solar power systems that can be integrated into the waterproofing function of buildings.

The Company is also working to develop highly durable systems as an environmentally responsive product for “200 Year Housing,” a vision being promoted by the Japanese government. The long-lasting benefits of residential waterproofing contribute to reduced lifecycle costs and environmental burdens.

The renovation business, which has completed a sufficient number of construction projects at existing properties, is expected to become a major business pillar for the Company. Therefore, Sumitomo Bakelite will devote itself toward developing systems that will improve construction efficiency in tandem with the growth of the renovation business.

As a sheet waterproofing system business pioneer, the Sumitomo Bakelite Group aims to expand and develop this business even further by promoting these initiatives.



A waterproof sheet with solar power generation functions (above)

An example of construction using waterproof sheets (below)

Consolidated Balance Sheets

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
March 31, 2009 and 2008

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2009	2008	2009
Current assets:			
Cash and cash equivalents	¥ 38,981	¥ 43,378	$ 396,955
Trade receivables:			
Notes (Note 6)	7,154	10,886	72,851
Accounts	29,457	47,892	299,969
Allowance for doubtful accounts	(412)	(493)	(4,196)
Inventories	–	29,189	–
Merchandise and finished goods	10,272	–	104,603
Semi-finished goods	2,168	–	22,077
Work in process	939	–	9,562
Raw materials and supplies	9,989	–	101,721
Deferred tax assets (Note 10)	1,628	2,250	16,578
Other current assets (Note 9)	5,627	9,773	57,304
Total current assets	105,803	142,875	1,077,424
Property, plant and equipment (Note 19):			
Land	11,390	12,363	115,988
Buildings and structures	70,167	73,386	714,532
Machinery and equipment	123,967	131,771	1,262,393
Construction in progress	5,385	3,845	54,837
	210,909	221,365	2,147,750
Accumulated depreciation	(130,136)	(131,384)	(1,325,214)
Net property, plant and equipment	80,773	89,981	822,536
Goodwill	6,324	7,555	64,399
Investments and other assets:			
Investment securities (Note 7):			
Unconsolidated subsidiaries and affiliates	2,824	2,908	28,758
Other	9,942	16,339	101,242
Long-term loans receivable:			
Unconsolidated subsidiaries and affiliates	2,622	3,169	26,701
Employees and other	1,685	1,745	17,159
Deferred tax assets (Note 10)	4,640	798	47,251
Other assets (Note 19)	4,947	5,473	50,375
Allowance for doubtful accounts	(3,707)	(3,421)	(37,749)
Total investments and other assets	22,953	27,011	233,737
Total assets	¥ 215,853	¥ 267,422	$ 2,198,096

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2009	2008	Thousands of U.S. dollars (Note 1) 2009
Current liabilities:			
Short-term debt (Note 9)	¥ 16,919	¥ 14,756	$ 172,291
Long-term debt due within one year (Note 9)	900	1,403	9,165
Trade payables:			
Notes (Note 6)	4,692	5,487	47,780
Accounts	19,418	35,644	197,739
Accrued expenses	5,998	8,058	61,079
Income taxes payable (Note 10)	870	1,671	8,859
Other current liabilities	7,558	8,417	76,967
Total current liabilities	56,355	75,436	573,880
Long-term liabilities:			
Long-term debt due after one year (Note 9)	14,903	10,813	151,762
Deferred tax liabilities (Note 10)	1,177	4,190	11,986
Retirement benefits:			
Employees (Note 11)	11,164	5,839	113,686
Directors, statutory auditors and officers	29	51	295
Provision for loss on business liquidation	1,233	428	12,556
Provision for cost of business restructuring	2,193	–	22,332
Negative goodwill	2,465	3,468	25,102
Other long-term liabilities	730	832	7,434
Total long-term liabilities	33,894	25,621	345,153
Contingent liabilities (Notes 9 and 22)			
Net assets (Note 12)***:***			
Shareholders' equity:			
Common stock:			
Authorized— 800,000,000 shares			
Issued — 262,952,394 shares in 2009 and 265,852,394 shares in 2008	37,143	37,143	378,238
Capital surplus	35,358	35,358	360,061
Retained earnings	76,187	92,234	775,835
Treasury stock, at cost	(11,908)	(5,933)	(121,262)
Valuation and translation adjustments:			
Net unrealized holding (losses) gains on securities	(145)	1,262	(1,477)
Foreign currency translation adjustments	(12,062)	3,771	(122,831)
Minority interests	1,031	2,530	10,499
Total net assets	125,604	166,365	1,279,063
Total liabilities and net assets	¥ 215,853	¥ 267,422	$ 2,198,096

Consolidated Statements of Income

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Net sales (Note 21)	¥ 212,410	¥ 225,252	¥ 255,374	$ 2,163,035
Costs and expenses:				
Cost of sales (Note 21)	164,210	166,514	187,891	1,672,200
Selling, general and administrative expenses (Note 20)	49,839	49,712	49,717	507,525
	214,049	216,226	237,608	2,179,725
Operating income (Note 21)	(1,639)	9,026	17,766	(16,690)
Other income (expenses):				
Interest and dividend income	1,112	1,494	1,630	11,324
Interest expense	(458)	(464)	(462)	(4,664)
Amortization of negative goodwill	1,343	1,139	706	13,676
Equity in (losses) gains of affiliated companies	(286)	(695)	(376)	(2,912)
Loss on sale/disposal of property, plant and equipment	(361)	(711)	(609)	(3,676)
Gain on sale of investment securities (Note 7)	44	129	2,118	448
Loss on devaluation of investment securities (Note 7)	(2,469)	(1,174)	(620)	(25,143)
Loss on devaluation of investment securities of subsidiaries and affiliates	(1,706)	–	–	(17,373)
Foreign exchange (loss) gain, net	497	(367)	350	5,061
Prior-period adjustment gain	–	444	–	–
Provision for allowance for doubtful accounts	–	–	(336)	–
Cost of business restructuring (Notes 15 and 19)	(3,118)	(420)	(1,563)	(31,752)
Loss on liquidation of business (Note 16)	(963)	(3,194)	–	(9,807)
Loss on settlement of arbitration (Note 17)	–	(3,061)	–	–
Settlement (Note 18)	(376)	–	–	(3,829)
Loss on valuation of inventories	(731)	–	–	(7,444)
Prior service cost recognized on qualified pension plan	(758)	–	–	(7,719)
Cost of merger	–	(401)	–	–
Impairment loss (Notes 19 and 21)	(1,514)	(28)	(696)	(15,418)
Other, net	(109)	(609)	(39)	(1,108)
	(9,853)	(7,918)	103	(100,336)
Income before income taxes and minority interests	(11,492)	1,108	17,869	(117,026)
Income taxes (Note 10)**:**				
Current	1,378	1,887	6,972	14,033
Refund	(298)	(364)	–	(3,035)
Prior year adjustment	–	(430)	(405)	–
Deferred	(4,526)	(2,232)	(999)	(46,090)
	(3,446)	(1,139)	5,568	(35,092)
Minority interests	(138)	55	(380)	(1,404)
Net income	¥ (7,908)	¥ 2,192	¥ 11,921	$ (80,530)

	Yen			U.S. dollars (Note 1)
Amounts per share of common stock:				
Net income	¥(31.78)	¥ 8.40	¥47.18	$(0.32)
Diluted net income	–	–	45.33	–
Cash dividends applicable to the year	15.00	15.00	15.00	0.15

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
Years ended March 31, 2009, 2008 and 2007

		Millions of yen						
	Thousands of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustments	Minority interests
Balance at March 31, 2006	242,454	¥28,767	¥26,983	¥86,820	¥ (190)	¥ 6,769	¥ 3,154	¥ 19,394
Shares issued upon conversion of bonds	23,398	8,376	8,376	–	–	–	–	–
Net income	–	–	–	11,921	–	–	–	–
Net unrealized holding losses arising during the year	–	–	–	–	–	(504)	–	–
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	1,828	–
Treasury stock	–	–	–	–	(5,264)	–	–	–
Stock exchange	–	–	–	–	2,347	–	–	–
Cash dividends paid (¥17.5 per share)	–	–	–	(4,391)	–	–	–	–
Bonuses to directors and statutory auditors	–	–	–	(90)	–	–	–	–
Decrease in capital surplus due to sale of treasury stock	–	–	(0)	–	–	–	–	–
Decrease in capital surplus due to stock exchange	–	–	(353)	–	–	–	–	–
Decrease in minority interests	–	–	–	–	–	–	–	(14,345)
Transfer of negative balance on other capital surplus	–	–	352	(352)	–	–	–	–
Balance at March 31, 2007	265,852	37,143	35,358	93,908	(3,107)	6,265	4,982	5,049
Net income	–	–	–	2,192	–	–	–	–
Net unrealized holding losses arising during the year	–	–	–	–	–	(5,003)	–	–
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	(1,211)	–
Treasury stock	–	–	–	–	(2,826)	–	–	–
Cash dividends paid (¥15 per share)	–	–	–	(3,938)	–	–	–	–
Decrease in capital surplus due to sale of treasury stock	–	–	(2)	–	–	–	–	–
Other increase in retained earnings	–	–	–	83	–	–	–	–
Other decrease in retained earnings	–	–	–	(9)	–	–	–	–
Decrease in minority interests	–	–	–	–	–	–	–	(2,519)
Transfer of negative balance on other capital surplus	–	–	2	(2)	–	–	–	–
Balance at March 31, 2008	265,852	37,143	35,358	92,234	(5,933)	1,262	3,771	2,530
Net income	–	–	–	(7,908)	–	–	–	–
Net unrealized holding losses arising during the year	–	–	–	–	–	(1,407)	–	–
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	(15,833)	–
Treasury stock	–	–	–	–	(8,025)	–	–	–
Retirement of treasury stock	(2,900)	–	–	(2,034)	2,034	–	–	–
Cash dividends paid (¥15 per share)	–	–	–	(3,814)	–	–	–	–
Decrease in capital surplus due to sale of treasury stock	–	–	–	(6)	16	–	–	–
Other (Note 20)	–	–	–	(2,285)	–	–	–	–
Decrease in minority interests	–	–	–	–	–	–	–	(1,499)
Balance at March 31, 2009	262,952	¥37,143	¥35,358	¥76,187	¥(11,908)	¥ (145)	¥(12,062)	¥ 1,031

		Thousands of U.S. dollars (Note 1)						
	Thousands of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gains (losses) on securities	Foreign currency translation adjustments	Minority interests
Balance at March 31, 2008	265,852	$378,238	$360,061	$939,246	$ (60,418)	$ 12,851	$ 38,401	$ 25,764
Net income	–	–	–	(80,530)	–	–	–	–
Net unrealized holding losses arising during the year	–	–	–	–	–	(14,328)	–	–
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	(161,232)	–
Treasury stock	–	–	–	–	(81,721)	–	–	–
Retirement of treasury stock	(2,900)	–	–	(20,713)	20,713	–	–	–
Cash dividends paid ($0.15 per share)	–	–	–	(38,839)	–	–	–	–
Decrease in capital surplus due to sale of treasury stock	–	–	–	(61)	164	–	–	–
Other (Note 20)	–	–	–	(23,268)	–	–	–	–
Decrease in minority interests	–	–	–	–	–	–	–	(15,265)
Balance at March 31, 2009	262,952	$378,238	$360,061	$775,835	$(121,262)	$ (1,477)	$(122,831)	$ 10,499

See accompanying notes.

Consolidated Statements of Cash Flows

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
Years ended March 31, 2009, 2008 and 2007

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2009	2008	2007	2009
Cash flows from operating activities:				
Net income	¥ (7,908)	¥ 2,192	¥ 11,921	$ (80,530)
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	13,056	11,716	12,952	132,953
Loss on sale/disposal of property, plant and equipment	361	711	609	3,676
Gain on sale of investment securities	(44)	(129)	(2,118)	(448)
Minority interests	(138)	55	380	(1,404)
Loss on devaluation of investment securities	2,469	1,174	620	25,143
Loss on valuation of investment securities of subsidiaries and affiliates	1,706	–	–	17,373
Loss on liquidation of business	963	3,194	–	9,807
Cost of business restructuring	2,307	–	–	23,493
Impairment loss	1,514	28	696	15,418
Deferred income taxes	(4,526)	(2,232)	(999)	(46,090)
(Increase) decrease in notes and accounts receivable	18,693	7,496	(3,262)	190,356
(Increase) decrease in inventories	2,277	(186)	(1,064)	23,187
(Increase) decrease in other current assets	4,813	(2,378)	7,979	49,012
Increase (decrease) in notes and accounts payable	(15,274)	(4,032)	1,276	(155,540)
Increase (decrease) in income taxes payable	(600)	(4,531)	3,087	(6,110)
Increase (decrease) in other current liabilities	(3,394)	163	632	(34,562)
Increase (decrease) in employee retirement benefits	4,594	5,025	(923)	46,782
Other, net	(292)	(43)	1,080	(2,974)
Net cash provided by operating activities	20,577	18,223	32,866	209,542
Cash flows from investing activities:				
Purchases of investment securities	(159)	(4,686)	(9,785)	(1,619)
Proceeds from sale of marketable securities and investment securities	53	3,319	2,789	540
Purchases of property, plant and equipment	(13,396)	(9,213)	(9,595)	(136,415)
Proceeds from sale of property, plant and equipment	548	415	230	5,580
Purchase of subsidiaries' securities with change in scope of consolidation (Note 4)	–	(322)	–	–
Payment of subsidiaries' securities with change in scope of consolidation	–	–	(3)	–
Increase in long-term loans receivable	(338)	(3,397)	(36)	(3,442)
Other	63	(864)	(1,304)	641
Net cash used in investing activities	(13,229)	(14,748)	(17,704)	(134,715)
Cash flows from financing activities:				
Increase (decrease) in short-term debt	2,737	(6,180)	(1,822)	27,872
Proceeds from long-term debt	5,000	–	5,007	50,916
Purchase of treasury stock	(8,025)	(2,837)	(5,266)	(81,721)
Deposit of funds for redemption of convertible bond	–	–	(12,349)	–
Payback of funds for redemption of convertible bond	–	–	12,349	–
Cash dividends paid	(3,814)	(3,938)	(4,391)	(38,839)
Cash dividends paid to minority shareholders	(326)	–	(557)	(3,320)
Other	(1,411)	(863)	(975)	(14,368)
Net cash used in financing activities	(5,839)	(13,818)	(8,004)	(59,460)
Effect of exchange rate changes on cash and cash equivalents	(5,906)	(844)	352	(60,143)
Net (decrease) increase in cash and cash equivalents	(4,397)	(11,187)	7,510	(44,776)
Cash and cash equivalents at beginning of year	43,378	54,565	47,055	441,731
Cash and cash equivalents at end of year	¥ 38,981	¥ 43,378	¥ 54,565	$ 396,955
Supplemental information on cash flows:				
Cash paid during the year for:				
Interest	¥ 440	¥ 454	¥ 499	$ 4,481
Income taxes	1,350	6,970	3,458	13,747
Cash received for interest and dividend income	1,116	1,565	1,765	11,365
Non-cash investing and financing activities (Note 14):				
Conversion of bonds into common stock and capital surplus	–	–	16,752	–

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 21.9% (at March 31, 2009) 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 Corporate Law (the "Law") and accounting principles and practices generally accepted in Japan ("Japanese GAAP"). The accounts of consolidated North American subsidiaries are based on their accounting records maintained in conformity with generally accepted accounting principles and practices prevailing in the United States of America ("U.S. GAAP"). And, the accounts of consolidated other overseas subsidiaries are based on International Financial Reporting Standards. Certain Japanese GAAP are different from International Financial Reporting 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 filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments 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 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, 2009, which was ¥98.2 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 42 subsidiaries in 2009, 44 subsidiaries in 2008 and 44 subsidiaries in 2007. All significant intercompany balances and transactions have been eliminated in consolidation.

The other subsidiaries are excluded from the scope of consolidation 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 (3 affiliates in 2009, 3 affiliates in 2008 and 6 affiliates in 2007, 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.

Differences between the acquisition costs and the underlying net equities of investments in consolidated subsidiaries and other companies accounted for by the equity method at the date of acquisition are 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 or twenty years from the date of acquisition.

(Additional information)

For the current year, for the purposes of appropriate and prompt response towards the forthcoming accounting regulations "Quarterly report" etc., the Company utilized the non-consolidated financial statements of overseas subsidiaries for their statutory fiscal year ended December 31. In the past years, the Company prepared its consolidated financial statements utilizing their financial statements of overseas subsidiaries for the years ended March 31 which were prepared only for the Company's consolidated reporting purposes, separately from the statutory financial statements of overseas subsidiaries prepared for the years ended December 31 at each location.

Thus, profit and loss figures for the period of nine months from April 1, 2007 to December 31, 2007 of overseas subsidiaries are included in the consolidated statement of income for the current year of the Company.

As a result, net sales, operating income, income before income taxes and minority interests and net income decreased by approximately ¥28,787 million ($287,295 thousand), ¥2,067 million ($20,629 thousand), ¥2,410 million ($24,052 thousand) and ¥1,935 million ($19,311 thousand), respectively, compared to the amount in the case that the Company would have utilized 12 months (January 1, 2007 to December 31, 2007) of profit and loss figures regarding overseas subsidiaries.

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 net assets. 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 issued by unconsolidated subsidiaries and affiliated companies not accounted for by the equity method, 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 stated at the lower of weighted-average cost or net realizable value. In addition, the Company changed accounting policies for inventories in 2009. Details are described in Note 3.

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. And when tangible fixed assets acquired before April 1, 2007 have been depreciated to their allowable depreciation limits, amounts of such depreciation limits are recognized as depreciation expense equally over five years commencing from the year immediately after the year in which the allowable depreciation limits have been reached. The consolidated overseas subsidiaries calculate depreciation principally by the straight-line method over estimated useful lives. In addition, the Company changed accounting policies about depreciation method of tangible fixed assets in 2008. Details are described in Note 3.

(Additional information)

Also, due to the amendments of the Corporation Tax Law of Japan, effective April 1, 2007, when tangible fixed assets acquired before April 1, 2007 have been depreciated to their allowable depreciation limits, amounts of such depreciation limits are recognized as depreciation expense equally over five years commencing from the year immediately after the year in which the allowable depreciation limits have been reached.

This resulted in a decrease in operating income and income before income taxes and minority interests in the amount of ¥512 million ($5,110 thousand), respectively.

Accounting for lease transactions as lessee

Finance leases, except for certain immaterial leases, are capitalized and depreciated over the estimated useful lives or lease terms, as applicable. However, as permitted and discussed in Note 3, the Company and its consolidated domestic subsidiaries account for finance leases commencing prior to April 1, 2008 which do not transfer ownership of the leased property to the lessee as operating leases with disclosure of certain "as if capitalized" information.

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.

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 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. In addition, the Company changed accounting policies for retirement benefits in 2009. Details are described in Note 3.

Prior service costs and actuarial gains and losses are mainly recognized in the statements of income when they are determined actuarially.

The Company discontinued its unfunded lump-sum payment plan and integrated it into a funded non-contributory pension plan as of April 1, 2006.

Provision for loss on business liquidation

The provision for loss on business liquidation is stated at an amount based on the estimated loss on business liquidation at the end of the fiscal year.

Provision for cost of business restructuring

The provision for cost of business restructuring is stated at an amount based on the estimated cost of business restructuring at the end of the fiscal year.

Research and development

Research and development expenses are charged to income when incurred. The amounts for the years ended March 31, 2009, 2008 and 2007 were ¥13,079 million ($133,187 thousand), ¥12,910 million and ¥12,752 million, respectively.

Income taxes

The Companies recognize the 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.

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

3. Changes in accounting policies

(Depreciation method of tangible fixed assets)

Effective April 1, 2007, following the amendments of the Corporation Tax Law of Japan, the method of depreciation applied to the tangible fixed assets acquired by the Company and consolidated domestic subsidiaries after March 31, 2007 has been changed to the revised straight-line method or the revised declining-balance method.

Due to this change, operating income and income before taxes and minority interest were ¥244 million less, respectively, compared with what would have been reported if the depreciation method prior to the change had been applied.

(New accounting standard for measurement of inventories)

Prior to April 1, 2008, inventories of the Company and its consolidated domestic subsidiaries are stated at cost determined by the moving average method.

Effective April 1, 2008, the Company and its consolidated domestic subsidiaries adopted the new accounting standard for measurement of inventories (Statement No. 9, "Accounting Standard for Measurement of Inventories," issued by Accounting Standards Board of Japan on July 5, 2006), and inventories are measured by means of the cost method mainly based on the moving average method, which evaluates the amount of the inventories at the lower of weighted-average cost or net realizable value at March 31, 2009.

As a result, operating loss increased by ¥397 million ($4,043 thousand) and loss before income taxes increased by ¥1,128 million ($11,487 thousand). The impact on segment results is illustrated in Note 21.

(Unification of accounting policies applied to foreign subsidiaries for consolidated financial statements)
On March 17, 2006, the Accounting Standards Board of Japan issued Practical Issues Task Force No.18 "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No. 18"). PITF No. 18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for the preparation of the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either International Financial Reporting Standards or U.S. generally accepted accounting principles. In this case, adjustments for the following six items are required in the consolidation process so that their impact on net income is accounted for in accordance with Japanese GAAP unless the impact is not material.

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss
(c) Capital expenditures for research and development activities
(d) Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangible assets
(e) Retrospective treatment of a change in accounting policies
(f) Accounting for net income attributable to minority interests

The impact of this change on income is immaterial.

(New accounting standards for lease transactions as lessee)
Effective from the fiscal year ended March 31, 2009, the Company and its consolidated domestic subsidiaries adopted the new accounting standard for lease transactions (Statement No. 13, "Accounting Standard for Leases Transactions," issued by Business Accounting Deliberation Council on June 17, 1993, revised on March 30, 2007) and the implementation guidance for the accounting standard for lease transactions (the Financial Accounting Standards Implementation Guidance No. 16, issued by The Japanese Institute of Certified Public Accountants on January 18, 1994, revised March 30, 2007), and lease transactions are now accounted for as ordinary sales and purchase transactions except for certain immaterial or short-term finance leases, which are accounted for as operating leases. As permitted, finance leases which commenced prior to April 1, 2008 and have been accounted for as operating leases, continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information.

There is no impact of this change on income.

(Partial amendments to accounting standard for retirement benefits (Part 3))
Effective from the fiscal ended March 31, 2009, the Company adopted the new accounting standard for retirement benefits (Statement No. 19, "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)," issued by Accounting Standards Board of Japan on July 31, 2008).

Under the existing accounting standard, an entity may use the discount rate determined taking into consideration fluctuations in the yield of bonds over a certain period.

The revised accounting standard requires that the discount rate of retirement benefit obligations be determined by reference to market yields at the balance sheet date on high-quality bonds.

Due to this change, operating loss and loss before income taxes decreased by ¥633 million ($6,446 thousand).

4. Change in classification method

In accordance with the "Cabinet Ordinance modifying the Regulations for Financial Statements" (Cabinet Ordinance No. 50), the accounting item classified as "Inventories" in prior fiscal year was divided into "Merchandise and finished goods," "Semi-finished goods," "Work in process" and "Raw materials and supplies." In the prior year, the amount of "Merchandise and finished goods" was ¥12,921 million, "Semi-finished goods" was ¥2,608 million, "Work in process" was ¥1,459 million, and "Raw materials and supplies" was ¥12,200 million.

5. Business acquisition

(1) The Company acquired shares of Sunbake Co., Ltd. in the year ended March 31, 2008.

Assets and liabilities of the subsidiary newly consolidated by means of an acquisition at the inception of consolidation were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Current assets	¥1,845	–	$18,413
Fixed assets	320	–	3,194
Total assets	¥2,165	–	$21,607
Current liabilities	¥1,252	–	$12,495
Fixed liabilities	–	–	–
Total liabilities	¥1,252	–	$12,495

(2) The Company acquired all shares of Tsutsunaka Plastic Industry Co., Ltd., one of the consolidated subsidiaries in the financial year ended March 31, 2007 and merged with Tsutsunaka Plastic Industry Co., Ltd. effective on July 1, 2007.

1. Name of acquired company, business description, legal structure of business combination, company name after business combination and outline of the transaction including the purpose were as follows:
   (a) Name of acquired company and business description
      i) Name of acquired company
         Tsutsunaka Plastic Industry Co., Ltd. (hereinafter "Tsutsunaka Plastic")
      ii) Business description
         Manufacture and sales of various plastic sheets and films, along with the design, construction and installation of sheet waterproofing systems

   (b) Legal structure of business combination
      Stock exchange and merger

   (c) Company name after business combination
      Sumitomo Bakelite Company Limited

   (d) Outline of the transaction, including the purpose
      The Company acquired the entire shares of Tsutsunaka Plastic through the stock exchange and merged with Tsutsunaka Plastic effective on July 1, 2007 to strengthen cost-competitiveness through the reduction of overlapped indirect expenses and to add more high performance to the products through the integration of the Company's research, development and marketing resources into Tsutsunaka Plastic's core business.

2. Outline of accounting treatment of the stock exchange is summarized as follows:
   (a) Cost of acquisition

The Company's stock for exchange	¥1,994 million
Other directly related expenses	¥ 5 million
Total acquisition cost	¥1,999 million

   (b) Stock exchange ratio by each class of issued stocks, basis of calculation and number and fair value of issued stocks
      i) Class of stock and exchange ratio
         The Company issued 0.61 common stocks for each unit of Tsutsunaka Plastic common stock.
      ii) Method of calculation for exchange ratio
         The Company and Tsutsunaka Plastic calculated the stock exchange ratio jointly with reference to analyses prepared by the third-party advisors to each company.

iii) Number and fair value of issued stocks
2,425,314 shares and ¥1,994 million

(c) Amount of recognized negative goodwill, reason of recognition, method and period of amortization

i) Amount of recognized negative goodwill
¥737 million

ii) Reason of recognition of negative goodwill
The Company accounted the difference between the additional acquisition cost of shares of Tsutsunaka Plastic and the decrease in corresponding minority interests as negative goodwill.

iii) Method and period of amortization of negative goodwill
Straight-line basis over a period of five years

(d) As the merger was with an entity under common control, the Company booked the assets and liabilities from Tsutsunaka Plastic at its fair book value as of June 30, 2007. The Company recognized the difference between the book value of shares of Tsutsunaka Plastic and the increase in the Company's shareholders' equity as a gain on extinguishment of tie-in shares on the non-consolidated income statements of the Company. This transaction had no impact on the consolidated financial statements, for it was eliminated as an internal transaction.

(3) The Company acquired all shares of Decola-Nitto Co., Ltd. one of the consolidated subsidiary at August 28, 2008 and merged with Decola-Nitto Co., Ltd. on October 1, 2008.

1. Name of acquired company, business description, legal structure of business combination, company name after business combination and outline of the transaction, including the purpose were as follows:

(a) Name of acquired company and business description

i) Name of acquired company
Decola-Nitto Co., Ltd. (hereinafter "Decola-Nitto")

ii) Business description
Manufacture and sales of Melamine resin decorative laminates

(b) Legal structure of business combination
Merger

(c) Company name after business combination
Sumitomo Bakelite Co., Ltd.

(d) Outline of the transaction, including the purpose
The Company merged with Decola-Nitto on October 1, 2008 to realize synergy effects on the business management side and the research and development side.

2. Outline of accounting treatment of the merger is summarized as follows:
As the merger was with an entity under common control, the Company booked the assets and liabilities from Decola-Nitto at book value as of September 30, 2008. And the Company recognized the difference between the book value of shares of Decola-Nitto and shareholder's equity increased by the transaction as gain on extinguishment of tie-in shares on the non-consolidated income statement of the Company. This transaction had no impact on the consolidated financial statements, for it was eliminated as an internal transaction.

6. Effect of bank holiday

As financial institutions in Japan were closed on February 28, 2009 and January 31, 2009, when some consolidated domestic subsidiaries' fiscal years ended, ¥125 million of notes receivable and ¥270 million of notes payable maturing on February 28, 2009 and January 31 were settled on the following business day, February 2, 2009 and March 2, 2009, and accounted for accordingly.

7. Securities

(1) The following tables summarize acquisition costs and book values of available-for-sale securities with available fair values as of March 31, 2009 and 2008:

Securities with book values exceeding acquisition costs:

	Millions of yen		
At March 31, 2009	Acquisition cost	Book value	Difference
Equity securities	¥3,536	¥4,801	¥1,265
Bonds	–	–	–
Others	–	–	–
Total	¥3,536	¥4,801	¥1,265

	Millions of yen		
At March 31, 2008	Acquisition cost	Book value	Difference
Equity securities	¥3,144	¥7,227	¥4,083
Bonds	–	–	–
Others	–	–	–
Total	¥3,144	¥7,227	¥4,083

	Thousands of U.S. dollars		
At March 31, 2009	Acquisition cost	Book value	Difference
Equity securities	$36,008	$48,890	$12,882
Bonds	–	–	–
Others	–	–	–
Total	$36,008	$48,890	$12,882

Securities with book values not exceeding acquisition costs:

	Millions of yen		
At March 31, 2009	Acquisition cost	Book value	Difference
Equity securities	¥5,847	¥4,328	¥(1,519)
Bonds	–	–	–
Others	–	–	–
Total	¥5,847	¥4,328	¥(1,519)

	Millions of yen		
At March 31, 2008	Acquisition cost	Book value	Difference
Equity securities	¥10,418	¥8,405	¥(2,013)
Bonds	–	–	–
Others	–	–	–
Total	¥10,418	¥8,405	¥(2,013)

	Thousands of U.S. dollars		
At March 31, 2009	Acquisition cost	Book value	Difference
Equity securities	$59,542	$44,073	$(15,469)
Bonds	–	–	–
Others	–	–	–
Total	$59,542	$44,073	$(15,469)

The Companies recognize impairment loss for the securities whose available fair values decline more than 50% below the carrying amount. In addition, the Companies also recognize impairment loss, when the available fair values decline more than 30% to 50% below the carrying amount and such situation continues twice at the end of each semi-annual period. The amount of impairment loss for the years ended March 31, 2009 was ¥4,175 million ($42,516 thousand). As impairment loss was recognized in the statements of income, the aforementioned tables of available-for-sale securities exclude such securities written down to fair values.

(2) Sales amounts of available-for-sale securities sold and the related gains and losses in the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Sales of available-for-sale securities	¥52	¥1,525	¥265	$530
Gains on sales of available-for-sale securities	44	129	103	448
Losses on sales of available-for-sale securities	–	–	1	–

(3) The following table summarizes book values of available-for-sale securities with no available fair values as of March 31, 2009 and 2008:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Non-listed equity securities	¥805	¥699	$8,198
Others	8	8	81
Total	¥813	¥707	$8,279

8. Derivative financial instruments

The Companies utilize derivative financial instruments such as foreign currency forward contracts to reduce the effect of 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 risks associated with 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, 2008 and 2007 is not subject to disclosure because the Companies adopted hedge accounting for those instruments.

The outstanding balance of derivative contracts at March 31, 2009 is as follows:

Currency related contracts

	Millions of yen			Thousands of U.S. dollars		
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts						
To buy foreign currencies						
U.S. dollars	¥5,547	¥5,394	¥(153)	$56,487	$54,929	$(1,558)

9. 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, 2009 and 2008 was as follows:

At March 31, 2009	Millions of yen	Thousands of U.S. dollars	Interest rates
Loans from banks and other companies	¥ 5,419	$ 55,183	1.00%–5.00%
Commercial paper	11,500	117,108	0.20%–0.53%
	¥16,919	$172,291	

At March 31, 2008	Millions of yen	Interest rates
Loans from banks and other companies	¥ 6,756	0.77%–7.75%
Commercial paper	8,000	0.53%–0.60%
	¥14,756	

Long-term debt at March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Unsecured loans from banks and organizations due through 2016 with interest rates ranging from 0.00% to 1.83% at March 31, 2009 (from 0.00% to 2.10% at March 31, 2008)	¥15,803	12,216	$160,927
	15,803	12,216	160,927
Less amount due within one year	900	(1,403)	9,165
	¥14,903	¥10,813	$151,762

The annual maturities of long-term debt at March 31, 2009 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2010	¥ 900	$ 9,165
2011	2,502	25,479
2012	901	9,175
2013	900	9,165
2014	5,900	60,081
2015 and thereafter	4,700	47,862

At March 31, 2009, assets pledged as collateral were as follows:

	Millions of yen	Thousands of U.S. dollars
Fixed deposits	¥728	$7,413

At March 31, 2009, obligations with collateral pledged were as follows:

	Millions of yen	Thousands of U.S. dollars
Short-term debt	¥280	$2,851

10. 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 rate on income before income taxes was approximately 40.6% for the years ended March 31, 2009 and 2008.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Deferred tax assets:			
Amortization of prior service costs of the pension plan	¥ 6,245	¥ 4,678	$ 63,595
Retirement benefits of employees	4,118	4,100	41,935
Excess depreciation in overseas subsidiaries	2,370	2,913	24,134
Tax loss carryforwards	2,918	2,014	29,715
Provision for doubtful accounts	1,541	1,302	15,692
Taxable retainage of certain foreign subsidiaries	890	–	9,063
Excess bonuses accrued	800	1,131	8,147
Provision for cost of business restructuring	719	–	7,322
Accrued expenses	404	567	4,114
Impairment loss	633	503	6,446
Unrealized gains on inventory	–	337	–
Tax credit	510	–	5,193
Loss on devaluation of investment securities	287	230	2,923
Unrealized gains on property, plant and equipment	–	203	–
Loss on valuation of inventories	266	–	2,709
Loss on devaluation of golf membership	206	198	2,098
Accrued retirement benefits for directors and statutory auditors	–	177	–
Provision for loss on business liquidation	513	174	5,224
Others	1,545	1,957	15,733
Total deferred tax assets	23,965	20,484	244,043
Valuation allowance	(5,110)	(4,316)	(52,037)
Net deferred tax assets	18,855	¥ 16,168	192,006
Deferred tax liabilities:			
Contribution to funded non-contributory pension plan	(5,494)	¥ (4,819)	(55,947)
Additional depreciation in overseas subsidiaries	(3,157)	(3,534)	(32,149)
Gain on securities contributed to employees' retirement benefit trust	(1,782)	(3,229)	(18,147)
Deferred gains on property, plant and equipment	(2,268)	(2,277)	(23,096)
Gain on dissolution of employees' retirement benefit trust	–	(927)	–
Net unrealized holding gains on securities	–	(809)	–
Excess of fair value over the book value of the assets and liabilities of consolidated subsidiaries at the acquisition date	–	(695)	–
Others	(1,063)	(1,022)	(10,824)
Total deferred tax liabilities	(13,764)	(17,312)	(140,163)
Net deferred tax assets	¥ 5,091	¥ (1,144)	$ 51,843

The differences between the statutory tax rate and the Companies' actual effective tax rate for financial statement purposes for the years ended March 31, 2009, 2008 and 2007 were as follows:

	2009	2008	2007
Statutory tax rate	40.6%	40.6%	40.6%
Permanently non-deductible expenses	(2.1)	19.8	2.0
Permanently non-taxable income	1.8	(35.2)	(5.3)
Inhabitants' per-capita taxes	–	9.3	–
Effect of change in statutory tax rate	–	(2.8)	–
Tax loss carryforwards	(14.4)	46.1	5.0
Dividend income eliminated in consolidation	(27.7)	144.3	10.4
Devaluation of consolidated subsidiaries' securities and affiliates' securities	4.2	(28.6)	(3.1)
Tax credit	4.3	(89.9)	(4.0)
Adjustment on prior year income taxes	–	(38.8)	(2.3)
Tax effect arising from investments in affiliates	–	–	(3.0)
Adjustment on deferred tax	–	13.8	–
Amortization of goodwill and negative goodwill	3.4	(31.3)	–
Effect of merged with a subsidiary	10.7	–	–
Effect of differences between tax rates in Japan and in other countries	8.1	(147.4)	(9.5)
Other, net	1.1	(2.7)	0.4
Actual effective tax rate	30.0	(102.8)%	31.2%

11. Employees' severance and retirement 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.

Employees' retirement benefits included in the liabilities section of the consolidated balance sheets as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Projected benefit obligation	¥29,051	¥ 29,744	$295,835
Less fair value of pension assets	(17,887)	(23,882)	(182,149)
Less unrecognized actuarial differences	2	(30)	20
Unrecognized prior service costs	(2)	7	(20)
Employees' retirement benefits	¥11,164	¥ 5,839	$113,686

Severance and retirement benefit expenses, included in the consolidated statements of income for the years ended March 31, 2009, 2008 and 2007 are composed of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Service costs—benefits earned during the year	¥1,336	¥1,245	¥1,389	$13,605
Interest cost on projected benefit obligation	870	731	814	8,859
Expected return on plan assets	(626)	(717)	(609)	(6,375)
Amortization of actuarial differences	4,065	4,419	(394)	41,396
Amortization of prior service costs	672	(85)	(77)	6,843
Severance and retirement benefit expenses	¥6,317	¥5,593	¥1,123	$64,328

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

At March 31	2009	2008	2007
Discount			
Domestic companies	2.25%	2.0%	2.0%
Overseas companies	6.65	6.8	4.5–5.5
Expected return on plan assets	2.08%	2.8%	2.0%

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

12. Net assets

The Japanese Corporate Law ("the Law") became effective on May 1, 2006, replacing the Japanese Commercial Code ("the Code"). The Law is generally applicable to events and transactions occurring after April 30, 2006 and for fiscal years ending after that date.

Under the Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in the case where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividends or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code, companies were required to set aside an amount equal to at least 10% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid-in capital equaled 25% of common stock.

Under the Code, the legal earnings reserve and additional paid-in capital could be used to eliminate or reduce a deficit by a resolution of the shareholders' meeting or could be capitalized by a resolution of the Board of Directors. Under the Law, both of these appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and the legal earnings reserve may not be distributed as dividends. Under the Code, however, on condition that the total amount of the legal earnings reserve and additional paid-in capital remained equal to or exceeded 25% of common stock, they were available for distribution by the resolution of the shareholders' meeting. Under the Law, all additional paid-in capital and all of the legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

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 Japanese laws and regulations.

At the annual shareholders' meeting held on June 26, 2009, the shareholders resolved to distribute cash dividends amounting to ¥1,807 million ($18,401 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2009. Such appropriations are recognized in the period in which they were resolved.

13. 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, 2009 and 2008, 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.

At March 31, 2009	Millions of yen Machinery and equipment	 Other assets	 Total
Acquisition cost, accumulated depreciation and net book value of leased assets:			
Acquisition cost	¥379	¥84	¥463
Accumulated depreciation	241	73	314
Net book value	¥138	¥11	¥149

At March 31, 2008	Millions of yen Machinery and equipment	 Other assets	 Total
Acquisition cost, accumulated depreciation and net book value of leased assets:			
Acquisition cost	¥566	¥95	¥661
Accumulated depreciation	319	83	402
Net book value	¥247	¥12	¥259

At March 31, 2009	Thousands of U.S. dollars Machinery and equipment	 Other assets	 Total
Acquisition cost, accumulated depreciation and net book value of leased assets:			
Acquisition cost	$3,859	$856	$4,715
Accumulated depreciation	2,454	744	3,198
Net book value	$1,405	$112	$1,517

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Future lease payments:			
Due within one year	¥ 73	¥117	$ 743
Due after one year	77	146	784
Total	¥150	¥263	$1,527

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Lease payments, depreciation and interest expense:				
Lease payments	¥109	¥160	¥266	$1,110
Depreciation	107	153	208	1,090
Interest expense	4	313	43	41

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
	2009	2008	2009
Future lease payments:			
Due within one year	¥16	¥2	$163
Due after one year	17	6	173
Total	¥33	¥8	$336

14. Non-cash transactions

Significant non-cash transactions for the years ended March 31, 2009, 2008 and 2007 were as follows:
(1)The conversion of bonds into common stock and capital surplus:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Increase in common stock	¥ –	¥ –	¥ 8,376	$ –
Increase in capital surplus	–	–	8,376	–
Decrease in convertible bonds	¥ –	¥ –	¥16,752	$ –

15. Cost of business restructuring

The cost of business restructuring for the years ended March 31, 2009, 2008 and 2007 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2009	2008	2007	2009
Loss on disposal of inventories	¥ 109	¥ –	¥ 491	$ 1,110
Loss on disposal of property, plant and equipment	1,552	54	61	15,804
Employees' severance expense	1,326	164	558	13,503
Office transfer expense	–	138	271	–
Impairment loss	–	–	136	–
Others	131	64	46	1,335
Total	¥3,118	¥420	¥1,563	$31,752

16. Loss on liquidation of business

Loss on liquidation of business for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Loss on disposal of property, plant and equipment	¥458	¥ –	$4,664
Investment loss of affiliates liquidation	240	–	2,444
Loss on disposal of inventories	170	–	1,731
Employees' severance expense	89	–	906
Allowance for doubtful accounts	–	1,963	–
Loss on sale of affiliates securities	–	407	–
Restoration expense of soil contamination	–	770	–
Others	6	54	62
Total	¥963	¥3,194	$9,807

17. Loss on settlement of arbitration

Loss on settlement of arbitration for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	2009
Arbitrations	¥ –	¥ 4,893	$ –
Professional fees	–	292	–
Insurance	–	(2,124)	–
Total	¥ –	¥ 3,061	$ –

18. Settlement

Settlement for the year ended March 31, 2009 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Compensation payment of claim	¥310	$3,157
Cost on disposal of sludge in adjacent area of a factory	54	550
Restoration expense of soil contamination	12	122
Total	¥376	$3,829

19. Impairment loss

The Company and consolidated subsidiaries categorized business-use assets into groups by business segment. Idle assets and assets for rent were also categorized into groups by individual properties.

The book value of idle assets at Akita in 2009 that had significantly declined in market value was written down to a recoverable amount. The recoverable amount was calculated based on net selling price that was calculated by assessed value of property tax with reasonable adjustments.

The book value of idle assets at Indonesia in 2009 that the Company had determined to sell was written down to a recoverable amount. The recoverable amount was calculated based on net selling price that was calculated by the planned sales agreement price.

The book value of business-use assets at China in 2009 that had significantly declined in profitability were written down to a recoverable amount. The recoverable amount was calculated based on the assets' value in use which was estimated by their future cash flows discounted by a rate of 12.3%.

The book value of business-use assets at Vietnam in 2009 that had significantly declined in profitability were written down to a recoverable amount. The recoverable amount was calculated based on net selling price that was the estimated sale value less the costs of disposal.

The book value of idle assets and assets for rent at Hyogo in 2008 that had significantly declined in market value was written down to a recoverable amount. The recoverable amount was calculated based on net selling price.

The book value of business-use assets at China in 2007 that had significantly declined in profitability was written down to a recoverable amount. The recoverable amount was calculated based on estimated value in use with a discount rate of 9.7%.

The impairment loss for the years ended March 31, 2009, 2008 and 2007 was as follows:

Use	Location	Type of assets	Millions of yen 2009	2008	2007	Thousands of U.S. dollars 2009
Business-use assets	China (Macao)	Buildings and structures	¥ 332	¥ –	¥298	$ 3,381
		Machinery and equipment	391	–	397	3,982
		Other	–	–	1	–
	Vietnam	Machinery and equipment	542	–	–	5,520
Idle assets	Amagasaki, Hyogo	Machinery and equipment	–	9	–	–
		Other	–	19	–	–
	Akita, Akita	Land	165	–	–	1,680
	Indonesia	Buildings	84	–	–	855
Total			¥1,514	¥28	¥696	$15,418

And as explained in Note 15, the cost of business restructuring for the year ended March 31, 2007 included an impairment loss as follows:

Use	Location	Type of assets	Millions of yen
Business-use assets	Inashiki, Ibaraki	Machinery and equipment	¥136

With respect to the above assets held by the consolidated subsidiary that decided to withdraw from its business, the recoverable amount was calculated on fair value less sales cost.

20. Notes to the consolidated statements of changes in net assets

The major contents of "Other" in the year ended March 31, 2009 are as follows:

(1) A decrease of retained earnings at the beginning of the year ended March 31, 2009 due to implementation of PITF No. 18 described in Note 3:

¥1,244 million ($12,668 thousand)

(2) A decrease of retained earnings due to a decrease of the unrecognized projected benefits obligation and prior service costs of employees' retirement benefits of certain consolidated overseas subsidiaries, which prepared their financial statements in conformity with U.S. GAAP and reported these unrecognized items as components of "Other Comprehensive Income":

¥1,002 million ($10,204 thousand)

21. Segment information

Information by business segment for the years ended March 31, 2009, 2008 and 2007 is as follows:

	Millions of yen							
Year ended March 31, 2009	Semiconductor and display materials	Circuit products	High-performance plastics	Quality of life products	Others	Total	Eliminations or corporate	Consolidated
Sales:								
Outside customers	¥50,210	¥31,264	¥66,480	¥63,601	¥855	¥212,410	¥ –	¥212,410
Inter-segment	–	–	403	367	–	770	(770)	–
Total sales	50,210	31,264	66,883	63,968	855	213,180	(770)	212,410
Operating expenses	45,535	34,809	65,558	63,003	771	209,676	4,373	214,049
Operating income	¥ 4,675	¥ (3,545)	¥ 1,325	¥ 965	¥ 84	¥ 3,504	¥ (5,143)	¥ (1,639)
Identifiable assets	¥53,005	¥26,265	¥61,726	¥60,326	¥838	¥202,160	¥13,693	¥215,853
Depreciation and amortization	3,204	2,235	3,923	3,190	136	12,688	368	13,056
Impairment loss	–	1,265	–	84	–	1,349	165	1,514
Capital expenditures	4,397	2,449	2,958	3,289	163	13,256	312	13,568

"Eliminations or corporate" in the "Operating expenses" row of the above information includes corporate expenses of ¥5,174 million ($52,688 thousand) in the year ended March 31, 2009, 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 includes corporate assets of ¥13,729 million ($139,807 thousand) at March 31, 2009, 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 mentioned in "Changes in accounting policies," effective from this fiscal year, "Accounting standard for measurement of inventories" (ASBJ Statement No.9) has been applied. As a result, operating income decreased by ¥60 million ($611 thousand) in the Semiconductor and display materials segment, by ¥134 million ($1,365 thousand) in the High performance plastics segment, by ¥90 million ($916 thousand) in the Quality of life products segment, increased by ¥3 million ($31 thousand) in the Other segment, and operating losses increased by ¥116 million ($1,181 thousand) in the Circuit products segment.

As mentioned in "Changes in accounting policies," effective from this fiscal year, "Partial amendments to accounting standard for retirement benefits (Part 3)" (ASBJ Statement No.19) has been applied. As a result, operating income increased by ¥167 million ($1,701 thousand) in the Semiconductor and display materials segment, by ¥126 million ($1,283 thousand) in the High performance plastics segment, by ¥212 million ($2,159 thousand) in the Quality of life products segment, increased by ¥0 million ($0 thousand) in the Other segment, and operating losses decreased by ¥55 million ($560 thousand) in the Circuit products segment. And Corporate expenses in "Eliminations or corporate" decreased by ¥73 million ($743 thousand).

	Millions of yen							
Year ended March 31, 2008	Semiconductor and display materials	Circuit products	High-performance plastics	Quality of life products	Others	Total	Eliminations or corporate	Consolidated
Sales:								
Outside customers	¥55,406	¥36,502	¥59,719	¥72,679	¥946	¥225,252	¥ –	¥225,252
Inter-segment	6	–	823	408	–	1,237	(1,237)	–
Total sales	55,412	36,502	60,542	73,087	946	226,489	(1,237)	225,252
Operating expenses	44,752	39,183	57,494	70,054	744	212,227	3,999	216,226
Operating income	¥10,660	¥ (2,681)	¥ 3,048	¥ 3,033	¥202	¥ 14,262	¥ (5,236)	¥ 9,026
Identifiable assets	¥67,801	¥39,109	¥78,075	¥63,818	¥932	¥249,735	¥17,687	¥267,422
Depreciation and amortization	2,818	1,962	3,556	2,886	151	11,373	343	11,716
Impairment loss	–	–	–	28	–	28	–	28
Capital expenditures	3,584	2,467	2,220	1,957	156	10,384	132	10,516

"Eliminations or corporate" in the "Operating expenses" row of the above information includes corporate expenses of ¥5,238 million in the year ended March 31, 2008, which consisted principally of basic research and development expenses and general and administrative expenses recorded by the Company.

"Eliminations or corporate" in the "Identifiable assets" row of the above information includes such corporate assets as ¥18,050 million at March 31, 2008, 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 mentioned in Note 2 to the consolidated financial statements, in accordance with the revised Japanese Corporation Tax Law, the Company and its domestic subsidiaries changed the depreciation method of tangible fixed assets acquired on or after April 1, 2007. As a result, Operating expenses under the Semiconductor and display materials segment, Circuit products segment, High-performance plastics segment, Quality of life products segment, Others and Eliminations or corporate increased by ¥65 million, ¥36 million, ¥25 million, ¥61 million, ¥12 million and ¥45 million, respectively, compared with the amount under the formerly applied method. Accordingly, operating income decreased by the same amount.

As mentioned in Note 2 to the consolidated financial statements, in accordance with the revised Japanese Corporation Tax Law, the Company and its domestic subsidiaries depreciate the residual value of tangible fixed assets acquired on or before March 31, 2007, which was depreciated in accordance with former Japanese Corporation Tax Law, to memorandum value in five years using the straight-line method. As a result, Operating expenses under the Semiconductor and display materials segment, Circuit products segment, High-performance plastics segment, Quality of life products segment, Others and Eliminations or corporate increased by ¥81 million, ¥84 million, ¥133 million, ¥189 million, ¥1 million and ¥24 million, respectively. Accordingly, operating income decreased by the same amount.

	Millions of yen							
Year ended March 31, 2007	Semiconductor and display materials	Circuit products	High-performance plastics	Quality of life products	Others	Total	Eliminations or corporate	Consolidated
Sales:								
Outside customers	¥65,947	¥46,101	¥66,773	¥75,515	¥1,038	¥255,374	¥ –	¥255,374
Inter-segment	8	–	784	526	–	1,318	(1,318)	–
Total sales	65,955	46,101	67,557	76,041	1,038	256,692	(1,318)	255,374
Operating expenses	50,792	48,066	63,464	72,049	699	235,070	2,538	237,608
Operating income	¥15,163	¥ (1,965)	¥ 4,093	¥ 3,992	¥ 339	¥ 21,622	¥ (3,856)	¥ 17,766
Identifiable assets	¥71,353	¥46,929	¥79,639	¥76,963	¥1,007	¥275,891	¥25,863	¥301,754
Depreciation and amortization	3,030	2,510	4,109	2,817	140	12,606	346	12,952
Impairment loss	–	696	–	136	–	832	–	832
Capital expenditures	2,989	1,303	3,277	1,701	168	9,438	229	9,667

"Eliminations or corporate" in the "Operating expenses" row of the above information includes corporate expenses of ¥3,865 million in the year ended March 31, 2007, which consisted principally of basic research and development expenses and general and administrative expenses recorded by the Company.

"Eliminations or corporate" in the "Identifiable assets" row of the above information includes corporate assets of ¥26,203 million at March 31, 2007, 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.

	Thousands of U.S. dollars							
Year ended March 31, 2009	Semiconductor and display materials	Circuit products	High-performance plastics	Quality of life products	Others	Total	Eliminations or corporate	Consolidated
Sales:								
Outside customers	$511,303	$318,371	$676,986	$647,668	$8,707	$2,163,035	$ –	$2,163,035
Inter-segment	–	–	4,104	3,737	–	7,841	(7,841)	–
Total sales	511,303	318,371	681,090	651,405	8,707	2,170,876	(7,841)	2,163,035
Operating expenses	463,697	354,470	667,597	641,578	7,851	2,135,193	44,532	2,179,725
Operating income	$ 47,606	$ (36,099)	$ 13,493	$ 9,827	$ 856	$ 35,683	$ (52,373)	$ (16,690)
Identifiable assets	$539,766	$267,464	$628,574	$614,318	$8,534	$2,058,656	$139,440	$2,198,096
Depreciation and amortization	32,627	22,760	39,949	32,485	1,385	129,206	3,747	132,953
Impairment loss	–	12,882	–	855	–	13,737	1,681	15,418
Capital expenditures	44,776	24,939	30,122	33,493	1,660	134,990	3,177	138,167

Information by geographic area for the years ended March 31, 2009, 2008 and 2007 is as follows:

	Millions of yen						
Year ended March 31, 2009	Domestic	Asia	North America	Europe and others	Total	Eliminations or corporate	Consolidated
Sales:							
Outside customers	¥113,355	¥63,923	¥15,948	¥19,184	¥212,410	¥ –	¥212,410
Inter-segment	10,424	9,845	611	1	20,881	(20,881)	–
Total sales	123,779	73,768	16,559	19,185	233,291	(20,881)	212,410
Operating expenses	126,450	67,996	17,225	18,595	230,266	(16,217)	214,049
Operating income	¥ (2,671)	¥ 5,772	¥ (666)	¥ 590	¥ 3,025	¥ (4,664)	¥ (1,639)
Identifiable assets	¥184,479	¥59,693	¥13,049	¥18,013	¥275,234	¥(59,381)	¥215,853

"Eliminations or corporate" in the "Operating expenses" row of the above information includes corporate expenses of ¥5,174 million ($52,688 thousand) in the year ended March 31, 2009, 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 includes corporate expenses of ¥13,729 million ($139,807 thousand) at March 31, 2009, which consisted principally of cash, investment in securities, basic research and development assets and general and administrative assets held by the Company.

As mentioned in "Changes in accounting policies," effective from this fiscal year, "Accounting standard for measurement of inventories" (ASBJ Statement No.9) has been applied. As a result, operating losses increased by ¥397 million ($4,043 thousand) in the Japan segment.

As mentioned in "Changes in accounting policies," effective from this fiscal year, "Partial amendments to accounting standard for retirement benefits (Part 3)" (ASBJ Statement No.19) has been applied. As a result, operating losses decreased by ¥560 million ($5,703 thousand) in the Japan segment. And Corporate expenses in "Eliminations or corporate" decreased by ¥73 million ($743 thousand).

	Millions of yen						
Year ended March 31, 2008	Domestic	Asia	North America	Europe and others	Total	Eliminations or corporate	Consolidated
Sales:							
Outside customers	¥135,523	¥59,240	¥14,096	¥16,393	¥225,252	¥ –	¥225,252
Inter-segment	15,117	9,532	617	16	25,282	(25,282)	–
Total sales	150,640	68,772	14,713	16,409	250,534	(25,282)	225,252
Operating expenses	142,557	62,959	14,923	15,823	236,262	(20,036)	216,226
Operating income	¥ 8,083	¥ 5,813	¥ (210)	¥ 586	¥ 14,272	¥ (5,246)	¥ 9,026
Identifiable assets	¥194,808	¥78,391	¥18,124	¥23,732	¥315,055	¥(47,633)	¥267,422

"Eliminations or corporate" in the "Operating expenses" row of the above information includes corporate expenses of ¥5,238 million in the year ended March 31, 2008, which consisted principally of basic research and development expenses and general and administrative expenses recorded by the Company.

"Eliminations or corporate" in the "Identifiable assets" row of the above information includes corporate assets of ¥18,050 million at March 31, 2008, 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 mentioned in Note 2 to the consolidated financial statements, in accordance with the revised Japanese Corporation Tax Law, the Company and its domestic subsidiaries changed the depreciation method of tangible fixed assets acquired on or after April 1, 2007. As a result, Operating expenses for Domestic and Eliminations or Corporate increased by ¥200 million and ¥44 million, respectively, compared with the amount under the formerly applied method. Accordingly, operating income decreased by the same amount.

As mentioned in Note 2 to the consolidated financial statements, in accordance with the revised Japanese Corporation Tax Law, the Company and its domestic subsidiaries depreciate the residual value of tangible fixed assets acquired on or before March 31, 2007, which was depreciated in accordance with former Japanese Corporation Tax Law, to memorandum value in five years using the straight-line method. As a result, Operating expenses for Domestic and Eliminations or Corporate increased by ¥488 million and ¥24 million, respectively. Accordingly, operating income decreased by the same amount.

	Millions of yen						
Year ended March 31, 2007	Domestic	Asia	North America	Europe and others	Total	Eliminations or corporate	Consolidated
Sales:							
Outside customers	¥143,683	¥72,458	¥19,345	¥19,888	¥255,374	¥ –	¥255,374
Inter-segment	17,658	14,181	759	24	32,622	(32,622)	–
Total sales	161,341	86,639	20,104	19,912	287,996	(32,622)	255,374
Operating expenses	148,085	79,113	19,502	19,685	266,385	(28,777)	237,608
Operating income	¥ 13,256	¥ 7,526	¥ 602	¥ 227	¥ 21,611	¥ (3,845)	¥ 17,766
Identifiable assets	¥214,410	¥78,972	¥20,468	¥27,773	¥341,623	¥(39,869)	¥301,754

"Eliminations or corporate" in the "Operating expenses" row of the above information includes corporate expenses of ¥3,865 million in the year ended March 31, 2007, which consisted principally of basic research and development expenses and general and administrative expenses recorded by the Company.

"Eliminations or corporate" in the "Identifiable assets" row of the above information includes corporate assets of ¥26,203 million at March 31, 2007, 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.

	Thousands of U.S. dollars						
Year ended March 31, 2009	Domestic	Asia	North America	Europe and others	Total	Eliminations or corporate	Consolidated
Sales:							
Outside customers	$1,154,329	$650,947	$162,403	$195,356	$2,163,035	$ –	$2,163,035
Inter-segment	106,150	100,255	6,222	10	212,637	(212,637)	–
Total sales	1,260,479	751,202	168,625	195,366	2,375,672	(212,637)	2,163,035
Operating expenses	1,287,679	692,424	175,407	189,358	2,344,868	(165,143)	2,179,725
Operating income	$ (27,200)	$ 58,778	$ (6,782)	$ 6,008	$ 30,804	$ (47,494)	$ (16,690)
Identifiable assets	$1,878,605	$607,872	$132,882	$183,432	$2,802,791	$(604,695)	$2,198,096

Overseas sales for the years ended March 31, 2009, 2008 and 2007 were as follows:

	Millions of yen			
Year ended March 31, 2009	Asia	North America	Europe and others	Total
Overseas sales	¥74,036	¥16,310	¥18,348	¥108,694
Consolidated net sales				212,410
Percent of consolidated net sales	34.9%	7.7%	8.6%	51.2%

Year ended March 31, 2008	Millions of yen Asia	North America	Europe and others	Total
Overseas sales	¥78,472	¥13,789	¥15,538	¥107,799
Consolidated net sales				225,252
Percent of consolidated net sales	34.9%	6.1%	6.9%	47.9%

Year ended March 31, 2007	Millions of yen Asia	North America	Europe and others	Total
Overseas sales	¥93,712	¥18,984	¥19,446	¥132,142
Consolidated net sales				255,374
Percent of consolidated net sales	36.7%	7.4%	7.6%	51.7%

Year ended March 31, 2009	Thousands of U.S. dollars Asia	North America	Europe and others	Total
Overseas sales	$753,931	$166,090	$186,843	$1,106,864
Consolidated net sales				2,163,035
Percent of consolidated net sales	34.9%	7.7%	8.6%	51.2%

22. Contingent liabilities

At March 31, 2009, the Companies were contingently liable as follows:

(i) Guarantees for bank borrowings of employees: ¥ 1 million ($ 10 thousand)

(ii) Guarantee for bank borrowings of affiliates excluded from equity method: ¥110 million ($1,120 thousand)

23. Subsequent events

(1) At the general meeting of shareholders of the Company held on June 26, 2009, retained earnings at March 31, 2009, were appropriated as follows:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends ¥7.5 ($0.08) per share	¥1,807	$18,401

(2) The Board of Directors of the Company, at its meeting held on May 8, 2008, resolved that the Company will purchase its own shares in accordance with Article 156 of the Company Law as applied in lieu of Article 165, Section 3 of the same law.

1. Type and aggregate number of shares to be acquired
   Shares of common stock, 10,000,000 shares (maximum)
2. Total amount of acquisition
   ¥5,000 million (maximum)
3. Reason for acquisition
   To enable the Company to briskly implement efficient capital strategies to address changes in business environment
4. Acquisition period
   May 12, 2008 – August 29, 2008
5. Method of transaction
   Repurchase from the market after prior public announcement
6. Details of transaction
   Discretionary trading contract for repurchase of Company’s own shares with securities firm

Independent Auditors' Report

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
Years ended March 31, 2009, 2008 and 2007

To the Shareholders and Board of Directors of
Sumitomo Bakelite Company Limited:

We have audited the accompanying consolidated balance sheets of Sumitomo Bakelite Company Limited, and consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets and cash flows for each of the three years in the period ended March 31, 2009, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sumitomo Bakelite Company Limited, and subsidiaries as of March 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2009, in conformity with accounting principles generally accepted in Japan.

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

(1) As discussed in Note 3 to the consolidated financial statements, effective April 1, 2008, Sumitomo Bakelite Company Limited and consolidated domestic subsidiaries adopted the new accounting standards for measurement of inventories.

(2) As discussed in Note 3 to the consolidated financial statements, effective April 1, 2008, Sumitomo Bakelite Company Limited adopted Partial Amendments to Accounting Standard for Retirement Benefits (Part 3).

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 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 26, 2009

Environmental Accounting

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries

In fiscal 2001, Sumitomo Bakelite introduced environmental accounting as an effective tool to implement business activities in line with environmental conservation. Environmental accounting quantifies the costs and benefits 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 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 six plants and two laboratories and subsequently expanded its scope to all of our domestic business establishments including our affiliated companies (listed bellow).

Environmental Conservation Costs for Fiscal 2009

Item	Investment (Millions of yen)	Expenses (Millions of yen)	Description
(A) Reduction of environmentally hazardous emissions	78	324	• Conversion of fuel for boilers
(B) Energy conservation	88	60	• Conversion of fuel for boilers • Energy conservation by improvement efficiency for equipment
(C) Reduction of industrial waste, promotion of recycling, and waste treatment	11	528	• Waste treatment
(D) Product initiatives at the R&D stage	128	2,174	• R&D for environmentally friendly products
(E) Reduction of up & downstream environmental burden	0	23	• Analysis of environment-related substances • Consignment fee to the Japan Containers and Packaging Recycling Association
(F) Environmental management activities	3	350	• Personnel costs for environmental management activities • Greening activities and maintenance for green space
(G) Contributions to social activities	0	2	• Activities for external communications
(H) Response to environmental damage	0	258	• Inspections of soil and groundwater contamination and cleanup at Sano Plastic Co., Ltd.
Total	308	3,719	

Period: April 2008 to March 2009

Domestic Scope of consolidation of Sumitomo Bakelite Company Limited

Plants and Laboratories:

Amagasaki Plant*, Kanuma Plant, Nara Plant, Shizuoka Plant*, High Performance Plastic Products Plant, Industrial Laminates Plant, Utsunomiya Plant and Tsu Plant; Fundamental Research Laboratory and Kobe Fundamental Research Laboratory

*Including subsidiaries and affiliated companies on the premises

Subsidiaries:

Akita Sumitomo Bakelite Co., Ltd.; Artlite Kogyo Co., Ltd.; S.B. Techno Plastic Co., Ltd.; Hokkai Taiyo Plastic Co., Ltd.; Yamaroku Kasei Industry Co., Ltd.; Kyushu Bakelite Industry Co., Ltd.; Decola-Nitto Corporation's Suzuka Plant (until July, 2008); Kyodo Co., Ltd. (until February, 2009); Y-Techs Co., Ltd.

Note: Regarding item (H), we compiled costs concerning inspections of soil and groundwater contamination and cleanup at Sano Plastic Co., Ltd., which was closed in 2002.

Compilation Method

- Compilations were implemented by the Company's Environmental Accounting Compilation Guideline based on "Environmental Accounting Guidelines 2005" released by the Ministry of the Environment.
- With regard to the complex costs that include costs other than the environmental conservation additional costs were complied after deducting from costs as usual.
- Economic benefits were recorded for items compiled based on substantial evidence. Such presumptive calculations as risk avoidance benefits 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

Environmental Conservation Benefits for Fiscal 2009

Environmental Burden	Fiscal 2008	Fiscal 2009	Reduction
Atmospheric emissions of solvents and other chemical substances	317 tons	194 tons	123 tons
Carbon dioxide emissions	122,559 tons	108,568 tons	13,991 tons
Waste generated	10,017 tons	7,818 tons	2,200 tons*
Landfilled and incinerated waste without energy recovery	227 tons	201 tons	27 tons*

*As values are rounded off, some figures may not match.

Economic Benefits for Fiscal 2009

Item	Amount (Millions of yen)		
	Fiscal 2008	Fiscal 2009	Change
(1) Reduction in costs due to energy conservation	73	83	10
(2) Reduction in costs through waste reduction	19	16	3
(3) Income from recycling	205	135	70
(4) Reduction in costs through recycling	728	670	58
(5) Others	4	1	3
Total	1,029	905	124

The ***"Environmental & Social Report 2009"*** of Sumitomo Bakelite Company Limited, including environmental accounting, was independently reviewed by KPMG AZSA Sustainability Co., Ltd.

Board of Directors, Executive Officers and Corporate Auditors

(As of June 26, 2009)

Board of Directors

President

Tomitaro Ogawa

Directors

Shigeru Hayashi
Tamotsu Yahata
Satoshi Kawachi*
Takeshi Uchimura
Atsumi Okayama
Tsuneo Terasawa
Shinichiro Ito
Ryuzo Sukeyasu

Executive Officers

President

Tomitaro Ogawa

Executive Vice Presidents

Shigeru Hayashi
Tamotsu Yahata

Senior Managing Executive Officers

Takeshi Uchimura
Atsumi Okayama

Managing Executive Officers

Tsuneo Terasawa
Shinichiro Ito
Ryuzo Sukeyasu
Kiyoshi Fujita
Shigeki Muto
Koichiro Sekine
Kazuhisa Hirano

Executive Officers

Akira Takada
Koichi Tanaka
Masatoshi Yamazaki
Kimimasa Nishimura
Etienne Mortier
Noboru Yamawaki
Kazuhiko Fujiwara
Masayuki Inagaki

Corporate Auditors

Standing Auditors

Hideaki Ezaki
Takao Yanagisawa**

Auditors

Hiroyuki Abe**
Kenkichi Fuse**

* Outside director
** Outside auditor

Corporate Data

(As of March 31, 2009)

Corporate Name:

SUMITOMO BAKELITE COMPANY LIMITED

Head Office:

Tennoz Parkside Building,
2-5-8 Higashi-shinagawa, Shinagawa-ku,
Tokyo 140-0002, JAPAN

General Affairs & Corporate Legal Dept.
Phone: +81-(0)3-5462-3434
Facsimile: +81-(0)3-5462-4873

Corporate Finance & Planning Div.
Phone: +81-(0)3-5462-3448
Facsimile: +81-(0)3-5462-4876

Established:

January 25, 1932

Capital:

¥37,143,093,785

Employees:

Consolidated	8,071
Non-consolidated	2,817*
*Including employees on loan	527

Investor Information

(As of March 31, 2009)

Common Stock:

Stock trading unit	1,000 shares
Authorized	800,000,000 shares
Issued and outstanding	262,952,394 shares
Number of shareholders	18,436*
*Number of share trading unit holders included in above	13,579

Common Stock Listing:

The Tokyo Stock Exchange 1st Section
The Osaka Stock Exchange 1st Section

Independent Auditors:

KPMG AZSA & Co.

Administrator of Shareholders' Register:

The Sumitomo Trust & Banking Co., Ltd.
2-3-1 Yaesu, Chuo-ku, Tokyo 104-8476, Japan

Principal Shareholders:

Name	Number of stocks held (thousands)	Share of voting rights (%)
Sumitomo Chemical Co., Ltd.	52,549	21.93
Northern Trust Co. (AVFC) Sub A/C American Clients	20,230	8.44
Japan Trustee Services Bank, Ltd. (trust account)	12,103	5.05
The Master Trust Bank of Japan, Ltd. (trust account)	10,499	4.38
Japan Trustee Services Bank, Ltd. (trust account 4G)	9,673	4.04
Northern Trust Co. AVFC Re U.S. Tax Exempted Pension Funds	7,998	3.34
Japan Trustee Services Bank, Ltd. (trust account 4)	5,086	2.12
Japan Trustee Services Bank, Ltd. (retirement payment account of The Sumitomo Trust & Banking Co., Ltd.)	4,366	1.82
The Mitsui Sumitomo Bank, Limited	4,360	1.82
The Bank of New York, Treaty Jasdec Account	2,760	1.15

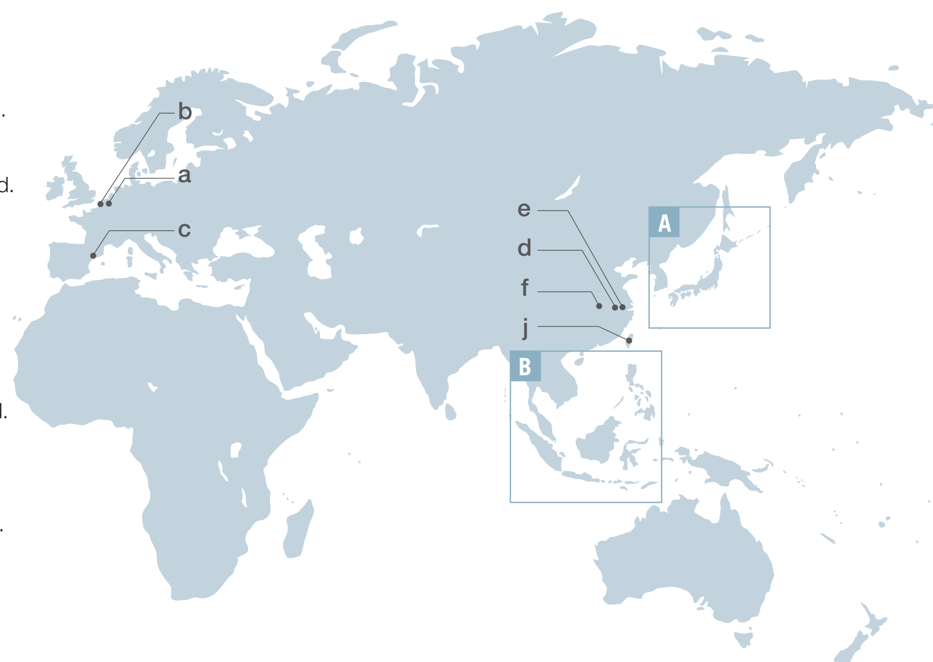
Note: The Company holds 21,984 thousand shares of treasury stock, that are excluded from the principal shareholders listed above.

Global and Domestic Network

(As of June 26, 2009)

Overseas

a. N.V. Sumitomo Bakelite Europe S.A.
b. Vyncolit N.V.
c. Sumitomo Bakelite Europe (Barcelona), S.L.U.
d. Sumitomo Bakelite (Suzhou) Co., Ltd.
e. Bakelite Precision Molding (Shanghai) Co., Ltd.
f. Sumitomo Bakelite (Nantong) Co., Ltd.
g. Basec Hong Kong Ltd.
h. Sumitomo Bakelite Hong Kong Co., Ltd.
i. Sumitomo Bakelite Macau Co., Ltd.
j. Sumitomo Bakelite (Taiwan) Co., Ltd.
k. P.T. Indopherin Jaya
l. P.T. SBP Indonesia
m. SNC Industrial Laminates Sdn. Bhd.
n. Sumitomo Bakelite Singapore Pte. Ltd.
o. Sumicarrier Singapore Pte. Ltd.
p. Sumidurez Singapore Pte. Ltd.
q. Sumitomo Bakelite (Thailand) Co., Ltd.
r. Sumitomo Bakelite Vietnam Co., Ltd.
s. Sumitomo Plastics America, Inc.
t. Durez Corporation
u. Promerus LLC.
v. Sumitomo Bakelite North America, Inc.
w. Durez Canada Co., Ltd.



Head Office

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Facsimile: +81-(0)6-6427-8055

Nagoya Office
3-71 Hongo, Meito-ku, Nagoya,
Aichi 465-0027, JAPAN
Phone: +81-(0)52-726-8351
Facsimile: +81-(0)52-726-8398

Laboratories

Fundamental Research Laboratory
495 Akiba-cho, Totsuka-ku, Yokohama,
Kanagawa 245-0052, JAPAN
Phone: +81-(0)45-811-1661
Facsimile: +81-(0)45-812-4898

Kobe Fundamental Research Laboratory
1-1-5 Murotani, Nishi-ku, Kobe,
Hyogo 651-2241, JAPAN
Phone: +81-(0)78-992-3900
Facsimile: +81-(0)78-992-3919

Film & Plate Research Laboratory
(Located at Amagasaki Plant, Kanuma Plant and Shizuoka Plant)

Production Engineering Research Laboratory

High Performance Plastic Products Laboratories

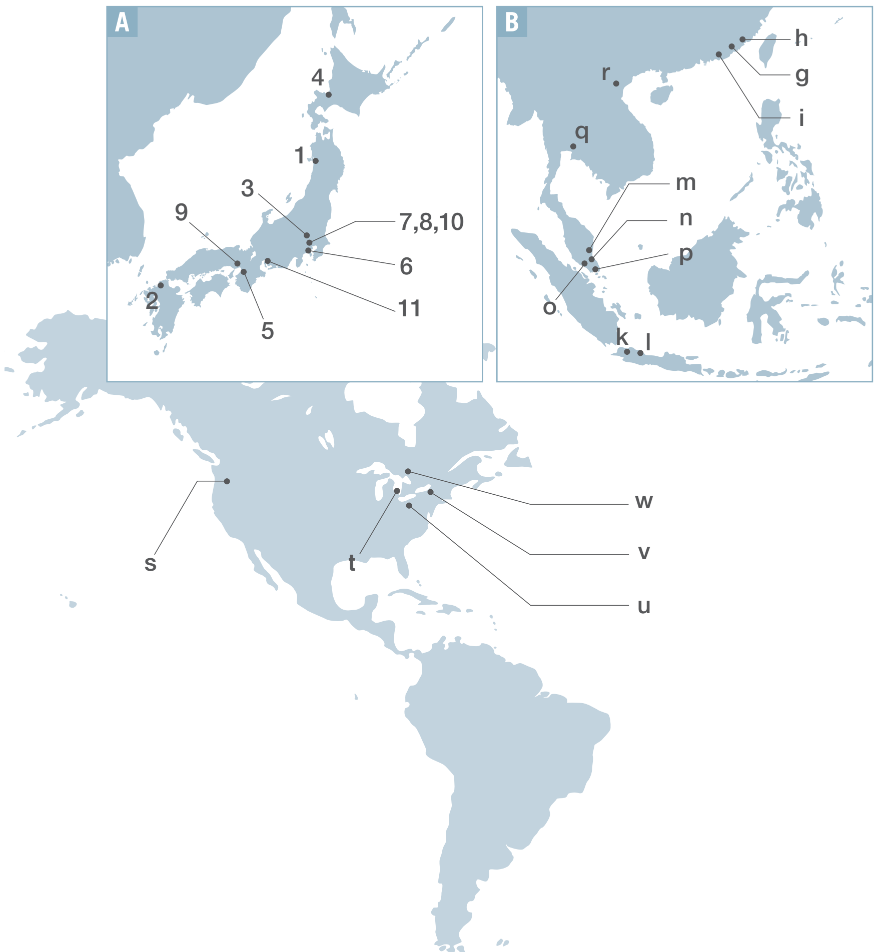
Automotive Products Development Laboratory

Electric & Industrial Plastic Products Development Laboratory

Circuitry Materials Research Laboratory

High Performance Thermoset Plastics Application Development Center

Plate & Decola Process Development Center
(Located at Shizuoka Plant)



Domestic

1. Akita Sumitomo Bakelite Co., Ltd
2. Kyushu Bakelite Industry Co., Ltd
3. S.B. Techno Plastics Co., Ltd
4. Hokkai Taiyo Plastic Co., Ltd
5. Yamaroku Kasei Co., Ltd
6. S.B. Research Co., Ltd
7. Sunbake Co., Ltd
8. Tsutsunaka Sheet Waterproof Systems Co., Ltd
9. Softec Co., Ltd
10. Thanxs Trading Co., Ltd
11. Chubu Jushi Co., Ltd

Information & Telecommunication Material Laboratories

Electronic Device Materials Research Laboratory I

Electronic Device Materials Research Laboratory II

Circuitry Process Technology Laboratory
(Located at Utsunomiya Plant)

Waterproofing Technology Center
(Located at Kanuma Plant)

Plants

Amagasaki Plant
2-3-47 Higashi-tsukaguchi-cho,
Amagasaki, Hyogo 661-8588, JAPAN
Phone: +81-(0)6-6429-6941
Facsimile: +81-(0)6-6427-8055

Kanuma Plant
7-1 Satsuki-cho, Kanuma,
Tochigi 322-0014, JAPAN
Phone: +81-(0)28-976-2131
Facsimile: +81-(0)28-976-2135

Nara Plant
1-2 Technopark Nara-Kogyodanchi,
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