Annual Report 2011

For the year
ended March 31, 2011

SUMITOMO BAKELITE CO., LTD.

Profile

Among various plastics, phenolic resin has the oldest history. It was developed by Dr. Leo H. Baekeland, an American of Belgian ancestry, in 1907, and he named that synthetic resin “Bakelite.” In 1911, Sankyo Company (currently Daiichi Sankyo Co., Ltd.) undertook the trial production of this phenolic resin. That was the origin of Japan’s plastics industry, and the name of our company, Sumitomo Bakelite Company Limited (hereinafter, “Sumitomo Bakelite”), came from this achievement.

In 1932, Nippon Bakelite Co., Ltd. was established, succeeding the phenolic resin department of Sankyo Company, and later merged with Sumitomo Synthetic Resin Industries, Ltd. in 1955 to form Sumitomo Bakelite.

As a pioneer in plastics, Sumitomo Bakelite always develops new products with leading-edge technologies and sophisticated facilities. In this way, we will further expand businesses and contribute to the realization of safe and comfortable living environments in various fields.

Financial Highlights

Years ended March 31	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	**2011**
Net sales	**¥190,972**	¥170,844	¥212,410	**$2,295,337**
Net income (loss)	**5,154**	3,306	(7,908)	**61,947**
Total assets	**205,090**	207,259	215,853	**2,465,024**
Shareholders’ equity	**120,933**	127,453	124,573	**1,453,522**

	Yen			U.S. dollars
Net income (loss) per share	**¥21.39**	¥13.72	¥ (31.78)	**$0.26**
Diluted net income per share	**—**	—	—	**—**
Cash dividends per share	**15.00**	10.00	15.00	**0.18**

Note: U.S. dollar amounts are translated from yen at the rate of ¥83.2 to US$1, the approximate exchange rate as of March 31, 2011.

Contents

President's Message

Sumitomo Bakelite is striding toward renewed growth by strengthening and expanding operations and introducing new products that will act as the driving forces for business development.

Shigeru Hayashi
President

Operating Environment in Fiscal 2011

During fiscal 2011, ended March 31, 2011, the global economy showed recovery trends, supported by economic growth in China, India and other emerging countries. However, the United States and Europe continued to suffer high unemployment rates and fiscal and credit uncertainties, which persistently boosted concerns about an economic slowdown. The Japanese economy continued to recover until summer, reflecting increases in production and exports in connection with economic recovery overseas. After summer, however, the rapid appreciation of the yen fueled trends indicating economic deceleration. Moreover, with the Great East Japan Earthquake in March 2011, the outlook of the domestic economy increased uncertainties.

Turning to the environment surrounding Sumitomo Bakelite's business, in semiconductors, demand for smartphones, tablet devices and other mobile information terminals remained robust throughout the period under review. However, the overall semiconductor market displayed weak trends, reflecting inventory adjustments for digital appliances and personal computers after summer. In automobiles, market conditions continued to recover until the end of summer, underpinned by increased demand in China and other emerging countries and the Japanese government's economic stimulus policies, including the provision of tax credits to buyers of eco-cars. From autumn onward, however, the market suffered a negative impact from the termination of these economic stimulus policies. Also, in Japan, despite some signs of recovery, housing starts remained weak throughout fiscal 2011.

Overview of Fiscal 2011 Results

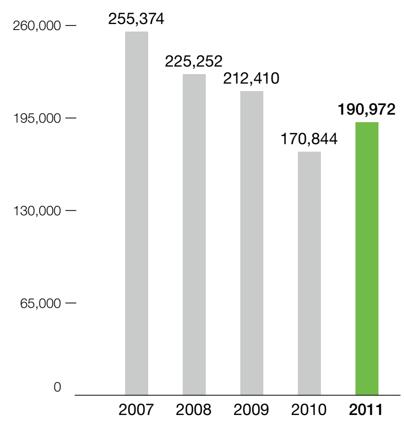
In the operating environment explained above, Sumitomo Bakelite worked to maintain its lean management structure, realized through its actual condition-based management after the Lehman shock in 2008. At the same time, the Company further strengthened its selection and concentration approach while leveraging the Group's collective strengths to create new demand. Through these activities, the Sumitomo Bakelite Group adhered to the following policies to return to the path to growth.

1. Bolster competitiveness of the three core business fields: (1) IT-related materials, (2) high-performance plastics, and (3) quality of life-related products.
2. Expand and strengthen operations in growing fields
3. Introduce new products as additional driving forces

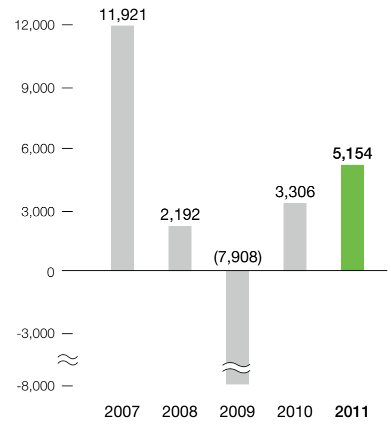
Buildings and manufacturing facilities at Sumitomo Bakelite's Utsunomiya Plant and Kanuma Plant were damaged by the Great East Japan Earthquake in March 2011. A building housing the Company's sales office in Sendai City, Miyagi Prefecture was also damaged. Nevertheless, thanks to the recovery and restoration efforts of its personnel, alternate operations undertaken at other production bases and the support provided by the Tokyo Head Office, Sumitomo Bakelite was able to minimize the negative impact of the disaster on its business activities.

As a result, Sumitomo Bakelite's consolidated net sales expanded 11.8% from fiscal 2010 to ¥190,972 million. This net sales expansion reflected substantial increases in the

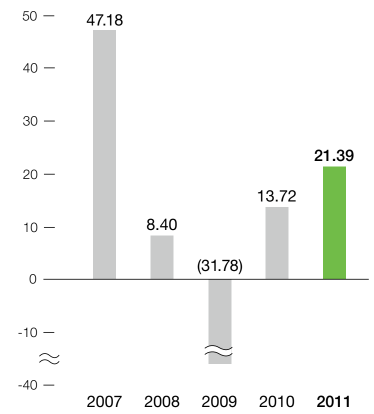
Net sales
(Millions of yen)



Net income (loss)
(Millions of yen)



Net income (loss) per share
(Yen)



sales of high-performance plastics, semiconductor materials and other products.

On the earnings front, consolidated operating income surged 48.3% year on year to ¥11,182 million. This strong result was due to the significant growth of net sales and to fixed cost reductions through the restructuring of less profitable businesses and other initiatives, all of which collectively offset the negative impact of rising raw material costs and the rapid yen appreciation. Consolidated ordinary income similarly soared 44.7% year on year to ¥12,507 million.

After posting extraordinary losses, including loss on disaster totaling ¥1,345 million and cost of business restructuring totaling ¥692 million, Sumitomo Bakelite recorded consolidated net income of ¥5,154 million, up 55.9% from fiscal 2010.

For fiscal 2011, actuarial adjustment for retirement allowances as a positive figure amounted to ¥180 million, compared with ¥2,530 million in fiscal 2010. The table on the next page shows a year-on-year comparison of the Group's performance, which excludes the amounts of such adjustment.

Sumitomo Bakelite declared a fiscal year-end dividend of ¥7.5 per common share. Added to the interim dividend paid, the full fiscal year cash dividend for fiscal year 2011 is ¥15.0 per common share.

During the period under review, the Company issued neither new shares nor corporate bonds, while not undertaking other extraordinary steps to procure funds. Meanwhile, total capital expenditures amounted to ¥10,656 million.

Business Strategies for Fiscal 2012 Onward

Looking at the global economy, concerns are heightening about surging crude oil prices, attributable to political turmoil in the Middle East and North Africa, and fiscal and financial uncertainties are ballooning in Europe. Meanwhile, China, India and other emerging countries are expected to sustain their economic expansion, and Europe and the United States are likely to maintain economic recovery. The Japanese economy is anticipated to continue to suffer severe conditions due to surging prices of crude oil and various raw materials as well as to the adverse impact of the Great East Japan Earthquake.

In the environment surrounding operations of the Sumitomo Bakelite Group, despite the anticipated recovery in the global economy, concerns are growing about decreases in the production of automobiles and other finished products and stagnation in domestic demand attributable to the disaster, as well as about electricity shortages due to the disaster at the Fukushima nuclear facilities.

Amid growing uncertainties triggered by the disaster, the Sumitomo Bakelite Group will do its utmost to minimize the disaster's negative impact on its business through the implementation of appropriate real-time measures. At the same time, with the aim of achieving targets under its new medium-term business plan—namely, posting net sales of ¥300,000 million and operating income of ¥35,000 million in fiscal 2016—Sumitomo Bakelite will accelerate initiatives geared toward realizing renewed growth under the following basic policies.

Comparison of actual performance (consolidated)

(Billions of yen)

	2011	2010	Change (%)
Net sales	**191.0**	170.8	11.8
Operating income	**11.0**	5.0	119.6
Ordinary income	**12.3**	6.1	101.6
Net income	**5.0**	1.8	179.8

Note: Operating income, ordinary income and net income presented above exclude the amounts of actuarial adjustments for retirement allowances.

Basic Policies

The first basic policy entails the further strengthening of the competitiveness of the Company's three core business fields: (1) IT-related materials, (2) high-performance plastics, and (3) quality of life-related products. Sumitomo Bakelite has managed to bolster its lean management structure through actual condition-based management. The Company will work to maintain such a management structure while enhancing its selection and concentration approach. In this way, Sumitomo Bakelite will improve product competitiveness by reinforcing its manufacturing capabilities and increase its focus on customer needs, thereby expanding and accelerating its existing businesses.

The second basic policy embodies the bolstering and expansion of businesses in growing markets and fields. In line with this policy, Sumitomo Bakelite will step up marketing activities and facility investments to tap robust demand in the markets of China, ASEAN countries and India, all of which are continuing to grow rapidly. Furthermore, the Company plans to increase investments in its European operations. M&A will be an option to achieve business expansion.

Finally, the third basic policy involves the introduction of new products as additional driving forces. Sumitomo Bakelite's LαZ® substrate materials for semiconductor packages have been already adopted for use in smartphones and other mobile devices. The Company will strive to expand sales of LαZ® while reinforcing its production structure for these products in Japan. Also, the Company has promoted R&D for various new products, including optical-electrical composite substrates, plastic film substrates to replace glass substrates, hard carbon anode materials for lithium-ion rechargeable batteries and a micro active catheter for embolotherapy. The Company plans to launch these innovative products while consistently providing next-generation solutions that preemptively accommodate customer needs. Through the promotion of these basic policies, the Sumitomo Bakelite Group aims to fulfill its medium-term targets.

The year 2011 marks the 100th anniversary of Japan's plastics industry, and as a pioneer in the plastics industry, Sumitomo Bakelite continues to contribute to advances in society by creating and adding new functions to plastics. Working toward success in another century, the Sumitomo Bakelite Group will continue to contribute to society through business. At the same time, the Group will always work to accomplish its social responsibility by ensuring compliance and promoting initiatives to protect the global environment.

As the leader of the Sumitomo Bakelite Group, and on behalf of all Group employees, I thank you, and I ask all stakeholders for their continued support and understanding.

June 2011

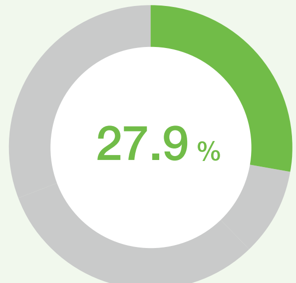
S. Hayashi

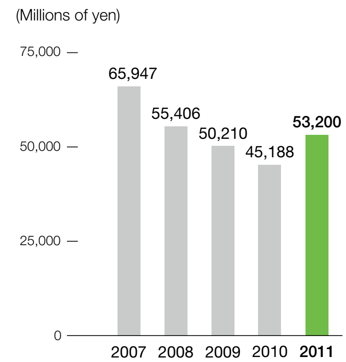
Shigeru Hayashi
President

At a Glance

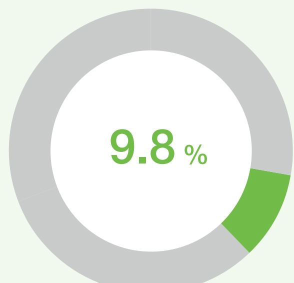
Segment	Segment Sales to Total Sales	Net Sales

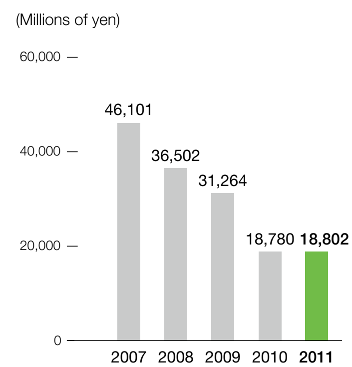
Semiconductor Materials



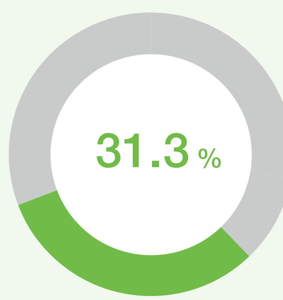


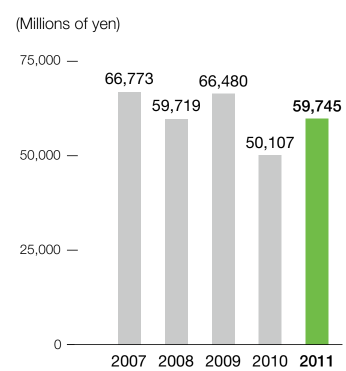
Circuit Products



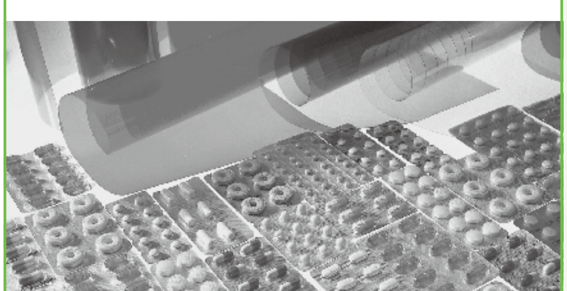


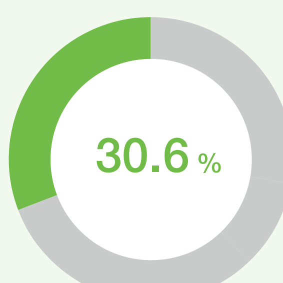
High-Performance Plastics

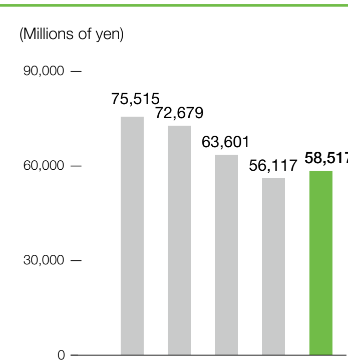




Quality of Life Products







Note: The Others segment recorded net sales of ¥708 million.

Overview

For most of the first half of fiscal 2011, sales steadily expanded for epoxy resin molding compounds for encapsulation of semiconductor devices, liquid photosensitive coating resins for semiconductor wafers and carrier tapes for mounting semiconductor components, reflecting recovery in the overall semiconductor market and increased demand for smartphones and other new IT equipment. After summer, however, the semiconductor market underwent inventory adjustments, which resulted in stagnant sales. Regarding L α Z® substrate materials for semiconductor packages, sales increased year on year due to the growing use of these materials in smartphones and other mobile equipment.

Sales of epoxy resin copper-clad laminates and phenolic resin copper-clad laminates grew year on year, supported by expanded demand for these products in applications for automobiles as well as air-conditioners and other finished products. Sales in the flexible printed circuits business fell year on year, mainly owing to the Company's withdrawal from certain less profitable businesses. The Company completed the transfer of production functions from its Akita site to Sumitomo Bakelite Vietnam Co., Ltd. in June 2010. Also, the Company consolidated its R&D functions into its Utsunomiya Plant in October 2010.

Sales of phenolic molding compounds, phenolic resins for industrial use and precision molded products increased significantly, buoyed by recovery in automobile markets in North America, Europe and other countries and regions. Sumitomo Bakelite's performance in North America showed a substantial improvement, reflecting the market recovery in the region and the Company's restructuring efforts including the streamlining of regional production bases. During the reporting term, to meet increased demand in the Chinese market, Sumitomo Bakelite decided to construct a new plant for the manufacture of phenolic molding compounds within the site of Sumitomo Bakelite (Nantong) Co., Ltd. in Nantong, Jiangsu Province, China, which manufactures and sells phenolic resins for industrial use. The Company is accelerating preparations for the launch of this new plant in January 2012.

In medical devices, Sumitomo Bakelite worked to increase sales of percutaneous endoscopic gastrostomy (PEG) buttons and PEG catheter kits through the enhancement of its product lineup, such as the introduction of percutaneous trans-esophageal gastro-tubing (PTEG) kits. At the same time, the Company was able to achieve a stable increase in sales of its new SB Knife products. Accordingly, sales of medical devices grew year on year. Meanwhile, sales of vinyl resin films and multilayered films were steady, owing to the expansion of their medical applications and to a recovery in their electronics applications. In the Plate & Decola Division—handling polycarbonate resin plates, vinyl resin plates, and melamine resin decorative and fireproof laminates—sales rose year on year thanks to a recovery in demand for these products. In the waterproof systems business, sales climbed year on year, supported by stable performance in the building renovation field and expanded demand caused by accelerating housing starts.

Corporate Governance

Basic Approach

Today, Sumitomo Bakelite is witnessing dynamic changes in operating conditions in Japan and overseas. To sustain its corporate growth in such an environment, Sumitomo Bakelite must continue to meet the expectations of its stakeholders without fail. To this end, the Company believes that it is indispensable to constantly improve management transparency and promote socially correct corporate management, and this belief is the very foundation of our corporate governance. The Business Philosophy of Sumitomo Bakelite states: "Our philosophy is to value trust and maintain stability. Based on this, we strive through our business activities to make contributions to social progress and improvements to the quality of life worldwide." By always embracing this philosophy, the Sumitomo Bakelite Group is continuing to enhance its corporate governance, thereby gaining global recognition as a socially responsible corporate group.

Corporate Governance Structure

Sumitomo Bakelite has adopted a corporate auditor system. Based on this system, the Company has appointed nine directors, including one outside director, and four corporate auditors, including two outside corporate auditors. Also, the Company has introduced an executive officer system. Appointed by the Board of Directors, executive officers promote the Company's business operations under the direction of the president, in accordance with the management policy determined by the Board of Directors.

At its monthly meetings, the Board of Directors makes decisions on important matters regarding the management of the Sumitomo Bakelite Group, the Company's monthly performance is reported, and individual directors report the status of the execution of their duties. At these meetings, the chairman is in charge of facilitating sufficient deliberation, while corporate auditors report on certain matters and offer opinions and advice as necessary. In addition, the Company's directors, executive officers and corporate auditors together convene an Executive Officers' Meeting once a month. At this meeting, important management policies and decisions made by the Board of Directors, along with the Company's performance, are reported to the attendees, while individual executive officers report the status of the execution of their business operations. Also, through this meeting, attendees review important management matters and share important information regarding the Company's status.

The executive officer system enables a clear separation between the decision-making function of the Board of Directors and the executive function of executive officers. Such functional division clarifies the responsibility of each party, enabling the Board of Directors to better focus on the supervision of business execution and allowing executive officers to promote swift business execution. Corporate auditors audit the execution of duties by directors to ensure that the Board of Directors is functioning effectively.

Auditing Systems

Internal Audits

Positioned directly under the president, the Internal Audit Department performs audits on the Company's business execution as well as internal control over financial reporting pursuant to the Financial Instruments and Exchange Law of Japan. These audits are conducted in accordance with audit plans. The Internal Audit Department reports the results of these audits to the president while monitoring the status of the implementation of corrective measures.

Audits by Corporate Auditors

Corporate auditors perform audits primarily through: (1) regular meetings with representative directors; (2) interviews with directors and employees; (3) attendance at important meetings; (4) review of important documents; and (5) visits to business sites and subsidiaries. At meetings of the Board of Corporate Auditors, corporate auditors report the results of these audits and make decisions relating to their audits. The Board of Corporate Auditors consists of two standing corporate auditors and two outside corporate auditors.

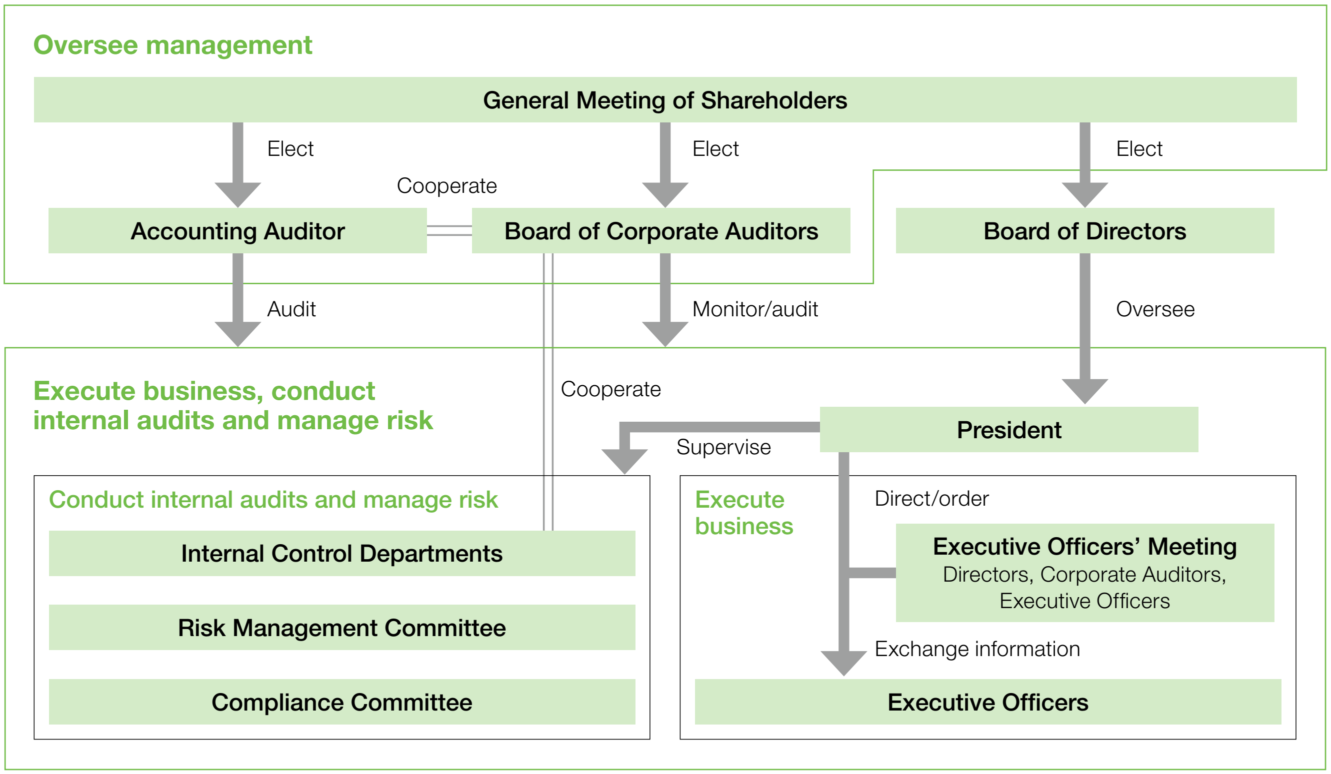
Accounting Audits

Corporate auditors collaborate with the auditing firm, who conducts accounting audits for Sumitomo Bakelite. More specifically, corporate auditors and the accounting auditor mutually exchange information with regard to the formulation of annual audit plans and the settlement of accounts. Furthermore, corporate auditors attend audit review meetings and thereby maintain a close relationship with the accounting auditor. In this way, the Company is striving to improve the quality of accounting audits and ensure efficiency in carrying out such audits.

Coordination of Audits

Corporate auditors attend meetings to review the results of internal and accounting audits while regularly holding meetings with related parties. These meetings also help Sumitomo Bakelite to strengthen collaborative relationships with corporate auditors, the accounting auditor and the Internal Audit Department. Cooperation among these parties is helping the Company enhance the efficiency and effectiveness of its audits.

Corporate Governance Structure



Board of Directors, Corporate Auditors and Executive Officers

(As of June 29, 2011)

Board of Directors

Chairman
Tomitaro Ogawa*

President
Shigeru Hayashi*

Directors
Tamotsu Yahata*
Satoshi Kawachi**
Tsuneo Terasawa
Shinichiro Ito
Ryuzo Sukeyasu
Shigeki Muto
Kazuhisa Hirano

Corporate Auditors

Standing Corporate Auditors
Takeshi Uchimura
Toshihiro Nyugaku

Corporate Auditors
Hiroyuki Abe***
Kenkichi Fuse***

* Representative director
** Outside director
*** Outside corporate auditor

Executive Officers

President
Shigeru Hayashi

Executive Vice President
Tamotsu Yahata

Senior Managing Executive Officers
Tsuneo Terasawa
Shinichiro Ito

Managing Executive Officers
Ryuzo Sukeyasu
Shigeki Muto
Kazuhisa Hirano
Koichiro Sekine
Akira Takada

Executive Officers
Noboru Yamawaki
Kazuhiko Fujiwara
Masayuki Inagaki
Tatsuo Yoshihara
Yukihiro Okabe
Sumitoshi Asakuma
Shintaro Ishiwata
Noriyoshi Honda
Henny Van Dijk

Major Developments

1 Impact of the Great East Japan Earthquake

The Great East Japan Earthquake on March 11, 2011 caused damage to a part of the building and manufacturing facilities at Sumitomo Bakelite's Utsunomiya Plant. Since the disaster, the Company has been conducting the manufacture of liquid photosensitive coating resins for semiconductor wafers using similar facilities at Kyushu Sumitomo Bakelite Co., Ltd. Production facilities for other products at the Utsunomiya Plant were restored soon after the disaster. The earthquake also caused damage to a part of the building and facilities at the Company's Kanuma Plant. Operations at the Kanuma Plant building and facilities were restored shortly after the earthquake. With due consideration given to possible electricity shortages in the future, the Company is now conducting a comprehensive review of its global production structure, including alternative production capabilities at its Indonesian subsidiary. Also, a building that houses Sumitomo Bakelite's sales office in Sendai City, Miyagi Prefecture was damaged by the earthquake, so the Company set up an operational backup framework at its Tokyo Head Office immediately after the earthquake. In May, the Sendai sales office resumed normal operations using a newly leased office. In connection with such damage, Sumitomo Bakelite posted ¥1,345 million in loss on disaster under extraordinary losses.

As part of efforts to assist the victims of the disaster, Sumitomo Bakelite has donated a total of ¥30 million, consisting of ¥20 million from the Company and ¥10 million from its executives and employees. We would like to take this opportunity to extend our deepest condolences to the victims of this unprecedented disaster, and we are hoping for the quickest possible recovery and restoration of the disaster regions. We will do whatever we can to help the disaster regions.

2 100th Anniversary of the Japanese Plastics Industry

The year 2011 marks the 100th anniversary of the birth of the Japanese plastics industry. In 1911, Sankyo Company (currently Daiichi Sankyo Co., Ltd.) undertook the trial production at its Shinagawa Plant of phenolic resin, which was named "Bakelite" by Dr. Leo H. Baekeland, the developer. That was how Japan's plastics industry started. In 1932, the phenolic resin department of Sankyo Company was separated and reestablished as Nippon Bakelite Co., Ltd. In 1955, Nippon Bakelite Co., Ltd. was merged into Sumitomo Synthetic Resin Industries, Ltd. to form Sumitomo Bakelite Company Limited.

As a pioneer in the domestic plastics industry, Sumitomo Bakelite has continued to add to the history of plastics in Japan. Looking ahead, Sumitomo Bakelite will continue to realize technological advances and create new functions for plastics, thereby contributing to the development of society. Recognizing this anniversary as a steppingstone toward the industry's bicentennial, the Sumitomo Bakelite Group aims to achieve renewed growth.

Phenolic resin

Pioneer in Plastics

3 Accelerating Global Operations for Electronic Materials

Currently, Sumitomo Bakelite manufactures epoxy resin molding compounds for encapsulation of semiconductor devices and other semiconductor materials at its production bases in Japan, Singapore, China and Taiwan. These compounds are then sold throughout the world. To bolster its global operations in electronic materials, the Company has established R&D functions at each of these production bases. Previously, the Information & Telecommunication Material Laboratories at the Utsunomiya Plant has driven applied R&D for electronic materials. To complement this research facility, the Company has established an applied R&D framework at its Singapore base. More recently, in 2010, the Company established EDL China* for applied R&D in Suzhou, China. The Company plans to bolster applied R&D functions at its facilities in Kyushu, Japan, and Taiwan. In line with the establishment of these new R&D facilities, the Utsunomiya facilities will expand collaboration not only with electronic materials-related divisions but also with other divisions and focus on a wider range of R&D projects, thereby creating businesses in new fields.

* Electronic Device Materials Research Laboratory China

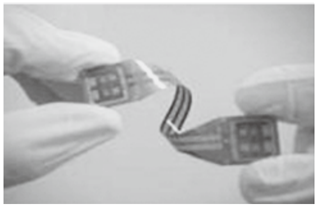
Information & Telecommunication Material Laboratories

4 New Products Underpinning the Group's Growth

One of the basic policies under Sumitomo Bakelite's new medium-term business plan calls for the introduction of new products as additional driving forces. The following section lists the products that the Company plans to launch in the market in the future.

Optical-Electrical Composite Substrates

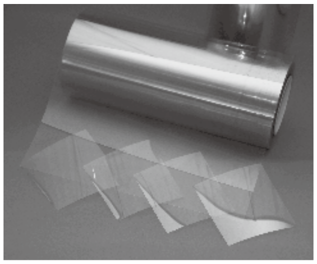
Sumitomo Bakelite has undertaken the development and trial production of materials for polymer optical waveguides (circuitry to guide optical signals) and manufacturing processes for these materials. Optical waveguides are capable of transmitting a greater amount of electronic signals at a higher speed compared with conventional circuit boards using metal wires. Due to this advantage, demand for optical waveguides is growing in applications for next-generation computers and telecommunication devices. In response to this situation, Sumitomo Bakelite established the Circuitry with Optical Interconnection Business Development Department in October 2010 with the aim of commercializing its optical-electrical composite substrates, or, more specifically, interposers (substrates on which IC chips and memories are mounted) that combine the Company's optical waveguide technologies and electric circuits. At present, the Company is constructing new trial- and mass-production lines at its Utsunomiya Plant. Through the development of interposers based on leading-edge optical waveguide technologies, Sumitomo Bakelite intends to lead the industry and provide solutions to users of these materials.



Optical-Electrical Composite Substrates

Plastic Film Substrates to Replace Glass Substrates (Transparent Low CTE Plastic Film Substrates)

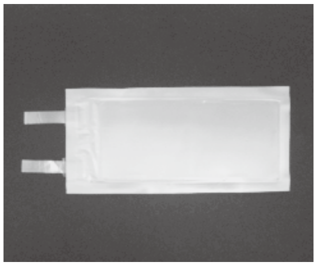
Currently, liquid crystal displays (LCDs) and organic light-emitting displays (OLEDs) on smartphones, tablet devices and other mobile terminals use glass substrates. Breaking with this tradition, Sumitomo Bakelite has developed plastic film substrates to replace conventional glass substrates. Compared with glass substrates, plastic film substrates are thinner, lighter and more crack-resistant. The Company's SUMILITE®TTR plastic film substrate boasts a low thermal expansion coefficient, high heat resistance and superior transparency on par with glass substrates, unlike substrates based on conventional engineering plastics. In April 2011, Sumitomo Bakelite established the TTR Business Development Department and introduced trial production facilities at its Amagasaki Plant. Through these organizations and facilities, the Company is accelerating activities aimed at launching the full-scale operations of these plastic film substrates.



Transparent Low CTE Plastic Film Substrates

Hard Carbon Anode Materials for Lithium-ion Rechargeable Batteries

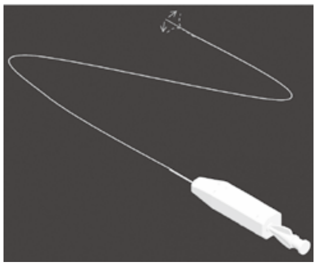
Increasingly lightweight and high-performance lithium-ion rechargeable batteries are used as secondary cells for electric and hybrid vehicles. As these eco-cars are becoming popular, demand for lithium-ion rechargeable batteries is expected to rise. Amid these circumstances, Sumitomo Bakelite has developed a phenol-based hard carbon anode material for lithium-ion rechargeable batteries. As Sumitomo Bakelite has long handled phenolic resin as a mainstay product, it boasts superior technological advantages for this material. Based on such advantages, the Company's hard carbon anode material has achieved greater functionality. Sumitomo Bakelite has already begun shipments of sample phenolic resin from the pilot facilities at its Shizuoka Plant. Moreover, the Company plans to establish mass-production facilities at Akita Sumitomo Bakelite Co., Ltd.



Laminated Cell for Carbon Anode Materials

Micro Active Catheter for Embolotherapy

Radiologists use micro catheters together with diagnostic imaging systems to treat patients. Among various micro catheters, Sumitomo Bakelite is focusing on the development of an active catheter. The leading end of active catheters can be controlled manually. Micro catheters are used in a variety of medical procedures including hepatic artery embolization, a method of purposely embolizing vessels sending blood to cancer cells to selectively destroy these cells. To purposely cause embolization, a micro catheter delivers substances or drugs to applicable parts of vessels. Guide wires are required to send conventional micro catheters to desired areas through vessels. However, the micro active catheter under development by Sumitomo Bakelite—with a manually movable leading end—enables treatment without the use of guide wires. This feature helps improve treatment efficiency, shorten times required for treatment and realize patient-friendly treatment. The Company established the MAC Development Department under the Medical Products Business Division in April 2011 and, accordingly, is advancing preparations to quickly launch micro active catheters in the market.



Micro Active Catheter for Embolotherapy

Five-Year Financial Summary

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
Years ended March 31

	Millions of yen					Thousands of U.S. dollars
	2011	2010	2009	2008	2007	2011
For the year:						
Net sales	¥190,972	¥170,844	¥212,410	¥225,252	¥255,374	$2,295,337
Operating income (loss)	11,182	7,541	(1,639)	9,026	17,766	134,399
Ordinary income	12,507	8,643	490	9,739	19,696	150,325
Income (loss) before income taxes and minority interests	8,322	4,014	(11,492)	1,108	17,869	100,024
Net income (loss)	5,154	3,306	(7,908)	2,192	11,921	61,947
Capital expenditures	10,656	9,261	13,568	10,516	9,667	128,077
Depreciation and amortization	11,014	11,968	13,056	11,716	12,952	132,380
Research and development expenses	12,441	12,568	13,079	12,910	12,752	149,531
Cash flows:						
Cash flows from operating activities	16,293	15,337	20,577	18,223	32,866	195,829
Cash flows from investing activities	(10,692)	(7,582)	(13,229)	(14,748)	(17,704)	(128,510)
Cash flows from financing activities	2,152	(13,927)	(5,839)	(13,818)	(8,004)	25,865
At year-end:						
Total assets	205,090	207,259	215,853	267,422	301,754	2,465,024
Net assets	122,025	128,574	125,604	166,365	179,598	1,466,647
Interest-bearing liabilities	27,659	22,510	32,722	26,972	33,933	332,440
Per-share data (yen):						
Net income (loss)	¥ 21.39	¥ 13.72	¥ (31.78)	¥ 8.40	¥ 47.18	$0.26
Net assets	501.95	528.96	516.97	634.46	664.75	6.03
Cash dividends	15.00	10.00	15.00	15.00	15.00	0.18
Financial indicators (%):						
Return on equity (ROE)	4.2	2.6	(5.5)	1.3	7.3	
Return on assets (ROA)	6.1	4.1	0.2	3.4	6.5	
Ratio of operating income (loss) to net sales	5.9	4.4	(0.8)	4.0	7.0	
Equity ratio	59.0	61.5	57.7	61.3	57.8	
Interest-bearing liabilities ratio	13.5	10.9	15.2	10.1	11.3	
Debt-to-equity ratio	22.3	17.9	22.7	15.9	20.8	

Notes:

1. The U.S. dollar amounts have been translated from yen, for the convenience of the readers, at the rate of ¥83.2 = US$1.00, the approximate rate on the Tokyo foreign exchange market on March 31, 2011.
2. Effective from the fiscal year ended March 31, 2007, Sumitomo Bakelite has adopted the Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Statement No. 5, December 9, 2005) and the Implementation Guidance on the Accounting Standard for Presentation of Net Assets in the Balance Sheet (ASBJ Guidance No. 8, December 9, 2005).
3. Effective from the fiscal year ended March 31, 2007, the calculation of net assets per share has used the amount of total net assets less the amounts of share subscription rights and minority interests.
4. Effective from the fiscal year ended March 31, 2007, the calculation of ROE, equity ratio and debt-to-equity ratio has used the amount of total net assets less the amounts of share subscription rights and minority interests as the amount of shareholders' equity. In particular, the calculation of ROE and debt-to-equity ratio have used the average of such shareholders' equity amounts at the beginning and end of each applicable year.
5. ROA = Ordinary income ÷ Average total assets
6. Interest-bearing liabilities ratio = Interest-bearing liabilities ÷ Total assets
7. Prior to the fiscal year ended March 31, 2008, the Company prepared its consolidated financial statements using the non-consolidated financial statements of its overseas subsidiaries for the years that ended March 31. Effective from the fiscal year ended March 31, 2008, the Company started to use the non-consolidated financial statements of these subsidiaries for their statutory fiscal years that end on December 31 for its consolidated reporting purposes. Accordingly, net sales and income items for the fiscal year ended March 31, 2008, presented in the table above, include the net sales and income items posted by these subsidiaries over the nine-month period from April 1, 2007 to December 31, 2007.

Consolidated Balance Sheets

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	2011	2010	2011
Current assets:			
Cash and cash equivalents (Note 17)	¥ 37,834	¥ 32,405	$ 454,736
Trade receivables (Note 17):			
Notes (Note 6)	6,475	6,673	77,825
Accounts	34,085	35,182	409,675
Allowance for doubtful accounts	(179)	(403)	(2,151)
Merchandise and finished goods	8,709	7,871	104,675
Semi-finished goods	2,574	2,152	30,938
Work in process	582	791	6,995
Raw materials and supplies	9,129	8,165	109,724
Deferred tax assets (Note 21)	3,712	2,391	44,615
Other current assets	3,572	3,360	42,932
Total current assets	106,493	98,587	1,279,964
Property, plant and equipment (Note 7):			
Land	10,687	10,978	128,450
Buildings and structures	68,742	70,493	826,226
Machinery and equipment	116,093	125,965	1,395,349
Lease assets	23	10	276
Construction in progress	6,264	5,379	75,288
	201,809	212,825	2,425,589
Accumulated depreciation	(128,618)	(134,123)	(1,545,889)
Net property, plant and equipment	73,191	78,702	879,700
Goodwill	5,255	5,976	63,161
Investments and other assets:			
Investment securities (Notes 17 and 18):			
Unconsolidated subsidiaries and affiliates	1,496	1,419	17,981
Other	11,081	12,863	133,185
Long-term loans receivable (Note 17):			
Unconsolidated subsidiaries and affiliates	3,903	4,422	46,911
Employees and other	1,418	1,568	17,043
Deferred tax assets (Note 21)	1,560	3,253	18,750
Other assets	4,496	4,718	54,038
Allowance for doubtful accounts (Note 17)	(3,803)	(4,249)	(45,709)
Total investments and other assets	20,151	23,994	242,199
Total assets	¥ 205,090	¥ 207,259	$ 2,465,024

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen 2011	2010	Thousands of U.S. dollars (Note 1) 2011
Current liabilities:			
Short-term debt (Notes 17 and 24)	¥ 15,257	¥ 7,609	$ 183,377
Long-term debt due within one year (Notes 17 and 24)	900	2,500	10,817
Trade payables (Note 17):			
Notes (Note 6)	3,539	3,930	42,536
Accounts	25,142	24,247	302,188
Accrued expenses	6,674	6,804	80,216
Income taxes payable	1,199	927	14,411
Provision for loss on disaster	1,034	–	12,428
Other current liabilities	6,829	6,708	82,080
Total current liabilities	60,574	52,725	728,053
Long-term liabilities:			
Long-term debt due after one year (Notes 17 and 24)	11,502	12,401	138,245
Deferred tax liabilities (Note 21)	1,223	1,236	14,700
Retirement benefits:			
Employees (Note 20)	6,702	8,233	80,553
Directors, statutory auditors and officers	17	25	204
Provision for loss on business liquidation	172	180	2,067
Provision for cost of business restructuring	364	1,103	4,375
Negative goodwill	791	1,611	9,507
Other long-term liabilities	1,720	1,171	20,673
Total long-term liabilities	22,491	25,960	270,324
Contingent liabilities (Note 5)			
Net assets (Note 15)**:**			
Shareholders' equity:			
Common stock:			
Authorized — 800,000,000 shares			
Issued — 262,952,394 shares in 2011 and 2010	37,143	37,143	446,430
Capital surplus	35,358	35,358	424,976
Retained earnings	79,140	75,845	951,202
Treasury stock, at cost	(11,926)	(11,916)	(143,341)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	1,287	2,106	15,469
Foreign currency translation adjustments	(18,570)	(11,083)	(223,197)
Post retirement liability adjustments for foreign consolidated subsidiaries	(1,499)	–	(18,017)
Minority interests	1,092	1,121	13,125
Total net assets	122,025	128,574	1,466,647
Total liabilities and net assets	¥ 205,090	¥ 207,259	$ 2,465,024

Consolidated Statements of Income

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	2011
Net sales (Note 23)	¥ 190,972	¥ 170,844	¥ 212,410	$ 2,295,337
Costs and expenses (Note 23):				
Cost of sales	136,090	122,052	164,210	1,635,698
Selling, general and administrative expenses	43,700	41,251	49,839	525,240
	179,790	163,303	214,049	2,160,938
Operating income (Note 23)	11,182	7,541	(1,639)	134,399
Other income (expenses):				
Interest and dividend income	723	470	1,112	8,690
Interest expense	(340)	(388)	(458)	(4,087)
Amortization of negative goodwill (Note 23)	821	854	1,343	9,868
Equity in (losses) gains of affiliated companies	64	174	(286)	769
Foreign exchange (loss) gain, net	228	131	497	2,740
Loss on sale/disposal of property, plant and equipment	(468)	(506)	(361)	(5,625)
Loss on devaluation of investment securities (Note 18)	(318)	(876)	(2,469)	(3,822)
Loss on devaluation of investment securities of subsidiaries and affiliates	(6)	–	(1,706)	(72)
Cost of business restructuring (Note 9)	(692)	(2,253)	(3,118)	(8,317)
Loss on disaster (Note 12)	(1,345)	–	–	(16,166)
Impairment loss (Notes 7 and 23)	(515)	(180)	(1,514)	(6,190)
Settlement (Note 11)	(593)	(692)	(376)	(7,127)
Provision for environmental measures	(74)	–	–	(889)
Loss on adjustment for changes of accounting standard for asset retirement obligations	(79)	–	–	(950)
Gain on sale of investment securities (Note 18)	–	1	44	–
Gain on sales of subsidiaries and affiliates' stocks	–	197	–	–
Loss on liquidation of business (Note 10)	–	(182)	(963)	–
Prior-period adjustment loss (Note 8)	–	(127)	–	–
Prior service cost recognized on qualified pension plan	–	–	(758)	–
Loss on valuation of inventories	–	–	(731)	–
Other, net	(266)	(150)	(109)	(3,197)
	(2,860)	(3,527)	(9,853)	(34,375)
Income before income taxes and minority interests	8,322	4,014	(11,492)	100,024
Income taxes (Note 21):				
Current	1,953	1,580	1,378	23,474
Refund	–	–	(298)	–
Deferred	1,051	(986)	(4,526)	12,632
	3,004	594	(3,446)	36,106
Income before minority interests	5,318	–	–	63,918
Minority interests	164	114	(138)	1,971
Net income	¥ 5,154	¥ 3,306	¥ (7,908)	$ 61,947

	Yen			U.S. dollars (Note 1)
Amounts per share of common stock:				
Net income	¥ 21.39	¥ 13.72	¥ (31.78)	$ 0.26
Diluted net income	–	–	–	–
Cash dividends applicable to the year	15.00	10.00	15.00	0.18

See accompanying notes.

Consolidated Statement of Comprehensive Income

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
Year ended March 31, 2011

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2011	2011
Income before minority interests	¥ 5,318	$ 63,918
Other comprehensive income		
Valuation difference on available-for-sale securities	(819)	(9,844)
Foreign currency translation adjustments	(7,532)	(90,528)
Post retirement liability adjustments for foreign consolidated subsidiaries	(297)	(3,570)
Share of other comprehensive income of associates accounted for using equity method	(9)	(108)
Total other comprehensive income (Note 13)	(8,657)	(104,050)
Comprehensive income (Note 13)	¥(3,339)	$ (40,132)
Comprehensive income attribute to:		
Comprehensive income attribute to owners of the parent	¥(3,449)	$ (41,454)
Comprehensive income attribute to minority interests	110	1,322

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009

		Millions of yen							
	Thousands of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Post retirement liability adjustments for foreign consolidated subsidiaries	Minority interests
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)	–	–	–	–	–
Valuation difference arising during the year	–	–	–	–	–	(1,407)	–	–	–
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	(15,833)	–	–
Purchase of treasury stock	–	–	–	–	(8,025)	–	–	–	–
Retirement of treasury stock	(2,900)	–	–	(2,034)	2,034	–	–	–	–
Cash dividends paid (¥15 per share)	–	–	–	(3,814)	–	–	–	–	–
Disposal of treasury stock	–	–	–	(6)	16	–	–	–	–
Other (Note 14)	–	–	–	(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
Net income	–	–	–	3,306	–	–	–	–	–
Valuation difference arising during the year	–	–	–	–	–	2,251	–	–	–
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	979	–	–
Purchase of treasury stock	–	–	–	–	(10)	–	–	–	–
Cash dividends paid (¥10 per share)	–	–	–	(3,012)	–	–	–	–	–
Disposal of treasury stock	–	–	–	(0)	2	–	–	–	–
Change of scope of consolidation	–	–	–	(729)	–	–	–	–	–
Other (Note 14)	–	–	–	93	–	–	–	–	–
Increase in minority interests	–	–	–	–	–	–	–	–	90
Balance at March 31, 2010	262,952	37,143	35,358	75,845	(11,916)	2,106	(11,083)	–	1,121
Transfer to post retirement liability adjustments from retained earnings	–	–	–	1,202	–	–	–	(1,202)	–
Net income	–	–	–	5,154	–	–	–	–	–
Valuation difference arising during the year	–	–	–	–	–	(819)	–	–	–
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	(7,487)	–	–
Post retirement liability adjustments for foreign consolidated subsidiaries	–	–	–	–	–	–	–	(297)	–
Purchase of treasury stock	–	–	–	–	(11)	–	–	–	–
Cash dividends paid (¥15 per share)	–	–	–	(3,012)	–	–	–	–	–
Disposal of treasury stock	–	–	–	(0)	1	–	–	–	–
Other	–	–	–	(49)	–	–	–	–	–
Decrease in minority interests	–	–	–	–	–	–	–	–	(29)
Balance at March 31, 2011	262,952	¥37,143	¥35,358	¥79,140	¥(11,926)	¥ 1,287	¥(18,570)	¥(1,499)	¥ 1,092

		Thousands of U.S. dollars (Note 1)							
	Thousands of shares of common stock	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Post retirement liability adjustments for foreign consolidated subsidiaries	Minority interests
Balance at March 31, 2010	262,952	$446,430	$424,976	$911,599	$(143,221)	$25,313	$(133,209)	$ –	$13,474
Transfer to post retirement liability adjustments from retained earnings	–	–	–	14,447	–	–	–	(14,447)	–
Net income	–	–	–	61,947	–	–	–	–	–
Valuation difference arising during the year	–	–	–	–	–	(9,844)	–	–	–
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	(89,988)	–	–
Post retirement liability adjustments for foreign consolidated subsidiaries	–	–	–	–	–	–	–	(3,570)	–
Purchase of treasury stock	–	–	–	–	(132)	–	–	–	–
Cash dividends paid ($0.18 per share)	–	–	–	(36,202)	–	–	–	–	–
Disposal of treasury stock	–	–	–	(0)	12	–	–	–	–
Other	–	–	–	(589)	–	–	–	–	–
Decrease in minority interests	–	–	–	–	–	–	–	–	(349)
Balance at March 31, 2011	262,952	$446,430	$424,976	$951,202	$(143,341)	$15,469	$(223,197)	$(18,017)	$13,125

See accompanying notes.

Consolidated Statements of Cash Flows

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009

	Millions of yen			Thousands of U.S. dollars (Note 1)
	2011	2010	2009	2011
Cash flows from operating activities:				
Net income	¥ 5,154	¥ 3,306	¥ (7,908)	$ 61,947
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	11,014	11,968	13,056	132,380
Impairment loss	515	180	1,514	6,190
Increase (decrease) in employee retirement benefits	(1,322)	(2,884)	4,594	(15,889)
Loss on sale/disposal of property, plant and equipment	468	506	361	5,625
Gain on sale of investment securities	–	–	(44)	–
Loss (gain) on sales of subsidiaries and affiliates' stocks	–	(197)	–	–
Loss on devaluation of investment securities	318	876	2,469	3,822
Loss on valuation of investment securities of subsidiaries and affiliates	–	–	1,706	–
Loss on liquidation of business	–	18	963	–
Cost of business restructuring	295	920	2,307	3,546
Loss on disaster	1,094	–	–	13,149
Minority interests	164	114	(138)	1,971
Deferred income taxes	1,051	(986)	(4,526)	12,632
(Increase) decrease in notes and accounts receivable	(207)	(5,506)	18,693	(2,488)
(Increase) decrease in inventories	(3,409)	4,551	2,277	(40,974)
(Increase) decrease in other current assets	281	790	4,813	3,377
Increase (decrease) in notes and accounts payable	1,288	4,140	(15,274)	15,481
Increase (decrease) in income taxes payable	319	45	(600)	3,834
Increase (decrease) in other current liabilities	290	(94)	(3,394)	3,486
Other, net	(1,020)	(2,410)	(292)	(12,260)
Net cash provided by operating activities	16,293	15,337	20,577	195,829
Cash flows from investing activities:				
Purchases of property, plant and equipment	(9,889)	(8,794)	(13,396)	(118,858)
Proceeds from sale of property, plant and equipment	319	815	548	3,834
Purchases of investment securities	–	(42)	(159)	–
Proceeds from sale of marketable securities and investment securities	–	–	53	–
Payment for long-term loans receivable	(109)	(698)	(338)	(1,310)
Other	(1,013)	1,137	63	(12,176)
Net cash used in investing activities	(10,692)	(7,582)	(13,229)	(128,510)
Cash flows from financing activities:				
Increase (decrease) in short-term debt	7,825	(9,901)	2,737	94,050
Cash dividends paid	(3,012)	(3,012)	(3,814)	(36,202)
Cash dividends paid to minority shareholders	(138)	(96)	(326)	(1,659)
Purchase of treasury stock	–	(10)	(8,025)	–
Proceeds from long-term debt	–	–	5,000	–
Other	(2,523)	(908)	(1,411)	(30,324)
Net cash provided by (used in) financing activities	2,152	(13,927)	(5,839)	25,865
Effect of exchange rate changes on cash and cash equivalents	(2,324)	540	(5,906)	(27,933)
Net (decrease) increase in cash and cash equivalents	5,429	(5,632)	(4,397)	65,251
Cash and cash equivalents at beginning of year	32,405	38,981	43,378	389,485
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	–	(944)	–	–
Cash and cash equivalents at end of year	¥ 37,834	¥ 32,405	¥ 38,981	$ 454,736
Supplemental information on cash flows:				
Cash paid during the year for:				
Interest	¥ 411	¥ 329	¥ 440	$ 4,940
Income taxes	1,734	791	1,350	20,841
Cash received for interest and dividend income	723	476	1,116	8,690

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 21.8% (as of March 31, 2011) 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"). Moreover, 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 a 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 as of March 31, 2011, which was ¥83.2 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 35 subsidiaries in 2011, 35 subsidiaries in 2010 and 42 subsidiaries in 2009. 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 (2 affiliates in 2011, 2 affiliates in 2010 and 3 affiliates in 2009, 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.

Securities

Securities are classified into one of the following categories based on the intent of holding, resulting in 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.

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. 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.

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.

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.

Accrued employees' bonuses

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

Provision for loss on disaster

The provision for loss on disaster is stated at amounts based on the estimated cost at the end of the fiscal year for the disposal and the restoration of property, plant and equipment damaged by the Great East Japan Earthquake.

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 provide 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.

Provision for loss on business liquidation

The provision for loss on business liquidation is stated at amounts 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 amounts based on the estimated cost of business restructuring at the end of the fiscal year.

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.

Research and development

Research and development expenses are charged to income when incurred. The amounts for the years ended March 31, 2011, 2010 and 2009 were ¥12,441 million ($149,531 thousand), ¥12,568 million and ¥13,079 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, with the exception 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

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 "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan ("ASBJ") Statement No. 9 issued 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 as of March 31, 2009.

As a result, operating loss increased by ¥397 million and loss before income taxes increased by ¥1,128 million. The impact on segment results is illustrated in Note 23.

Unification of accounting policies applied to foreign subsidiaries for consolidated financial statements

On March 17, 2006, the ASBJ issued the 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 its 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, as well as 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 was immaterial.

New accounting standards for lease transactions as lessee

Effective from the year ended March 31, 2009, the Company and its consolidated domestic subsidiaries adopted the "Accounting Standard for Leases Transactions" (ASBJ Statement No. 13 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 lease continue to be accounted for as operating leases with disclosure of certain "as if capitalized" information.

There was no impact of this change on income.

Partial amendments to accounting standard for retirement benefits (Part 3)

Effective from the year ended March 31, 2009, the Company adopted the "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19 issued 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. The impact on segment results is illustrated in Note 23.

Unification of accounting policies applied to associates accounted for using the equity method

Effective April 1, 2010, the Company adopted the "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No. 16 issued on March 10, 2008) and the "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (the ASBJ Practical Issues Task Force ("PITF") No. 24 issued on March 10, 2008).

The change had no material impact on the consolidated financial statement.

New accounting standards for asset retirement obligations

Effective April 1, 2010, the Company and its consolidated domestic subsidiaries adopted the "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18 issued on March 31, 2008) and "Guidance on Accounting Standard for Assets Retirement Obligations" (ASBJ Guidance No. 21 issued on March 31, 2008).

As a result of adopting these standards, the impacts on operating income was immaterial, and income before income taxes and minority interests decreased by ¥89 million ($1,070 thousand). In addition, impact of asset retirement obligations was ¥155 million ($1,863 thousand) by applying this accounting standards.

4. Supplementary information

Effective March 31, 2011, the Company adopted the "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25 issued on June 30, 2010) and the "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22 revised on June 20, 2010).

As a result of the adoption of these standards, the Company has presented the consolidated statement of comprehensive income in the consolidated financial statements for the year ended March 31, 2011.

5. Contingent liabilities

As of March 31, 2010, the Companies were contingently liable as follows:

(i)	Guarantees for bank borrowings of employees:	¥ 0 million
(ii)	Guarantee for bank borrowings of affiliates excluded from equity method:	¥104 million

6. Effect of bank holidays

As financial institutions in Japan were closed on January 31, 2010 and February 28, 2010, which were the account closing dates of certain consolidated subsidiaries, their notes receivable of ¥111 million and notes payable of ¥97 million that matured on the above dates were settled on the following business dates. The accompanying consolidated balance sheet as of March 31, 2010 included such account balances.

7. Impairment loss

The Company and consolidated subsidiaries categorize assets for business use by business segment. Idle assets and assets for rent were also categorized by individual property.

In the year ended March 31, 2011, the Company recognized the following impairment losses on dormant fixed assets with no further potential for business use.

The book value of dormant assets in Utsunomiya was written down to the recoverable amount. In this case, the recoverable amount was measured at net selling prices, estimated at zero.

The book value of dormant assets in Taiwan was written down to the recoverable amount. The recoverable amount was measured at net selling prices, estimated at zero.

In the year ended March 31, 2010, due to a decrease in product sales, the Company recognized an impairment loss on the book value of dormant assets in the United States of America, which was written down to the recoverable amount. The recoverable amount was measured at net selling prices, calculated based on market prices.

In the year ended March 31, 2009, the book value of assets in China that had significantly declined in profitability was written down to the recoverable amount. The recoverable amount was measured based on estimated future cash flows, utilizing a discount rate of 12.3%.

In the year ended March 31, 2009, the book value of assets in Vietnam that had significantly declined in profitability was written down to the recoverable amount. The recoverable amount was measured at net selling prices, estimated at market value less the costs of disposal.

The book value of idle land in Akita that had significantly declined in market value was written down to the recoverable amount in the years ended March 31 2011, 2010 and 2009. The recoverable amount was measured at net selling price, calculated using the assessed property tax valuation with reasonable adjustments.

In the year ended March 31, 2011, the book value of idle buildings and structures in Akita that had significantly declined in market value was written down to the recoverable amount. The recoverable amount was measured at net selling price, calculated using the assessed property tax valuation.

The book value of idle assets in Indonesia in 2009 that the Company had determined to sell was written down to the recoverable amount. The recoverable amount was measured at net selling prices based upon the price of the planed sales agreement.

Impairment losses for the years ended March 31, 2011, 2010 and 2009 were as follows:

			Millions of yen			Thousands of U.S. dollars
Use	Location	Type of assets	2011	2010	2009	2011
Business-use assets	Utsunomiya, Tochigi	Machinery and equipment	¥ 74	¥ –	¥ –	$ 889
	Taiwan	Construction in progress	21	–	–	252
	America	Machinery and equipment	–	57	–	–
	China (Macao)	Buildings and structures	–	–	332	–
		Machinery and equipment	–	–	391	–
	Vietnam	Machinery and equipment	–	–	542	–
Idle assets	Akita, Akita	Land	123	123	165	1,479
		Buildings and structures	297	–	–	3,570
	Indonesia	Buildings	–	–	84	–
Total			¥515	¥180	¥1,514	$6,190

8. Prior-period adjustment loss

The prior-period adjustment loss for the year ended March 31, 2010 consisted of the following:

	Millions of yen
	2010
Adjustment of loss on disposal of inventories	¥127
Total	¥127

9. Cost of business restructuring

The cost of business restructuring for the years ended March 31, 2011, 2010 and 2009 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Restructuring of flexible printed circuit board business	¥401	¥ –	¥ –	$4,820
Cost of transferring laboratory	302	–	–	3,629
Employees' severance expense	–	1,284	1,326	–
Loss on disposal of property, plant and equipment	–	669	1,552	–
Loss on disposal of inventories	–	132	109	–
Others	(11)	168	131	(132)
Total	¥692	¥2,253	¥3,118	$8,317

10. Loss on liquidation of business

Loss on liquidation of business for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of yen	
	2010	2009
Investment loss on liquidation of affiliates	¥ 175	¥240
Loss on disposal of inventories	70	170
Loss on disposal of property, plant and equipment	18	458
Employees' severance expense	16	89
Reversal of provision for loss on liquidation of business	(160)	–
Others	63	6
Total	¥ 182	¥963

11. Settlement

Settlement for the years ended March 31, 2011, 2010 and 2009 consisted of the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Compensation payment of claim	¥433	¥459	¥310	$5,204
Attorney's fees	108	58	–	1,298
Cost on purification of river	48	–	–	577
Settlement	–	175	–	–
Cost on disposal of sludge in area adjacent to factory	–	–	54	–
Expense of soil decontamination	–	–	12	–
Others	4	–	–	48
Total	¥593	¥692	¥376	$7,127

12. Loss on disaster

Loss on disaster for the year ended March 31, 2011 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Cost for disposal and restoration of property, plant and equipment	¥1,063	$12,776
Fixed costs during the period of production shutdown	199	2,392
Loss on disposal of inventories	42	505
Others	41	493
Total	¥1,345	$16,166

13. Notes to the consolidated statement of comprehensive income

(1) Comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of yen
	2010
Comprehensive income attribute to owners of the parent	¥6,772
Comprehensive income attribute to minority interests	161
Total comprehensive income	¥6,933

(2) Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of yen
	2010
Valuation difference on available-for-sale securities	¥2,250
Foreign currency translation adjustments	1,242
Share of other comprehensive income of associates accounted for using equity method	21
Total other comprehensive income	¥3,513

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

The major contents of “Other” in the year ended March 31, 2010 were as follows:

(1) An increase 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”:

¥96 million

The major contents of “Other” in the year ended March 31, 2009 were 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

(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

15. Net assets

Under 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.

The Japanese Corporate Law ("the Law") requires an amount equal to at least 10% of distributions of retained earnings to be appropriated as additional paid-in capital or legal reserve, which is included in capital surplus and retained earnings, until the total of additional paid-in capital and legal reserve equals 25% of stated common stock. The legal reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Law, the legal reserve and additional paid-in capital could be used to eliminate or reduce a deficit or could be capitalized by a resolution of the shareholders' meeting.

Additional paid-in capital and the legal reserve may not be distributed as dividends. Under the Law, however, 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 Japanese laws and regulations.

At the annual shareholders' meeting held on June 29, 2011, the shareholders resolved to distribute cash dividends amounting to ¥1,807 million ($21,719 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2011. Such appropriations are recognized in the period in which they were resolved.

16. Information on lease transactions

The following pro forma amounts present the acquisition cost, accumulated depreciation and net book value of the property leased to the Companies as of March 31, 2011 and 2010, which would have been reflected in the balance sheets if finance leases other than those that transfer the ownership of the leased property to the Companies (which are currently accounted for in the same manner as operating leases) were capitalized.

	Millions of yen		
As of March 31, 2011	Machinery and equipment	Other assets	Total
Acquisition cost, accumulated depreciation and net book value of leased assets:			
Acquisition cost	¥126	¥81	¥207
Accumulated depreciation	104	79	183
Net book value	¥ 22	¥ 2	¥ 24

	Millions of yen		
As of March 31, 2010	Machinery and equipment	Other assets	Total
Acquisition cost, accumulated depreciation and net book value of leased assets:			
Acquisition cost	¥233	¥83	¥316
Accumulated depreciation	173	77	250
Net book value	¥ 60	¥ 6	¥ 66

As of March 31, 2011	Thousands of U.S. dollars Machinery and equipment	Other assets	Total
Acquisition cost, accumulated depreciation and net book value of leased assets:			
Acquisition cost	$1,514	$974	$2,488
Accumulated depreciation	1,250	950	2,200
Net book value	$ 264	$ 24	$ 288

As of March 31	Millions of yen 2011	2010	Thousands of U.S. dollars 2011
Future lease payments:			
Due within one year	¥21	¥42	$253
Due after one year	5	26	60
Total	¥26	¥68	$313

Year ended March 31	Millions of yen 2011	2010	2009	Thousands of U.S. dollars 2011
Lease payments, depreciation and interest expense:				
Lease payments	¥41	¥81	¥109	$493
Depreciation	39	78	107	469
Interest expense	1	2	4	12

Depreciation is calculated based on the useful life of the lease term and a residual value of zero.

Total interest expense is the difference between 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 2011	2010	Thousands of U.S. dollars 2011
Future lease payments under noncancelable operating leases:			
Due within one year	¥11	¥3	$132
Due after one year	7	4	84
Total	¥18	¥7	$216

17. Financial instruments

Supplementary information

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

The information related to financial instruments and related disclosure for the year ended March 31, 2011 was as follows:

(1) Status of financial instruments

The Companies confine cash management to investing in short-term deposits and utilizing short-term bank loans and corporate bond issuance (including commercial paper) for cash management. The Companies utilize derivative financial instruments to minimize market risks, especially the effect of fluctuations in foreign currency exchange rates on assets and liabilities. The Companies do not hold or issue derivative financial instruments for speculative purposes.

The Companies are exposed to credit risks in relation to trade receivables from customers. The Companies regularly monitor the business condition, due date and balance of receivables of major counterparties according to the Companies' credit management regulations in order to reduce credit risk by identifying and minimizing risks at early stages, including deterioration in a counterparty's financial situation. Trade receivables denominated in foreign currencies expose the Companies to exchange rate risks. The Company and some subsidiaries categorize trade receivables denominated in foreign currencies based on currencies and repayment schedule, and hedge exchange rate risks by utilizing forward foreign exchange contracts.

Investment securities owned by the Companies consist primarily of investments in companies with which the Companies have a business relationship. These investments are exposed to market risks arising from fluctuations in their market price. The Companies review the fair value of these investments on a quarterly basis.

Long-term loans receivable are primarily from affiliated companies.

Trade payables are primarily short-term liabilities due within one year. Some trade payables that arise from the procurement of raw materials are denominated in foreign currencies, exposing the Companies to foreign exchange risk. The Companies are to stay the balances of trade payables in a foreign currency within the balances of trade receivables in the same currency.

Short-term loans payable and commercial paper are primarily for operating transactions. Long-term loans payable are primarily for investments in facilities. The Companies borrow long-term funds with fixed interest rates to hedge the risk of interest rate fluctuations.

The Companies utilize derivative financial instruments to reduce the market risk of fluctuations in foreign currency exchange rates on assets and liabilities in accordance with the internal regulations. To further reduce associated credit risk, the Companies contract only with highly-rated financial institutions when utilizing derivative contracts. Please see Note 2 for more details regarding derivatives.

The Companies manage liquidity risk in relation to trade payables and loans payable by preparing cash management plans and maintaining sufficient working capital.

The fair values of financial instruments are based on market prices, and on estimates calculated using reasonable values when the financial instruments do not have market prices. Since certain assumptions are adopted for such calculations, the values may vary under different assumptions.

(2) Fair value of financial instruments

	Millions of yen		
As of March 31, 2011	Carrying amounts	Fair value	Difference
Cash and cash equivalents	¥37,834	¥37,834	¥ –
Trade receivables: Notes	6,475	6,475	–
Trade receivables: Accounts	34,085	34,085	–
Investment securities	10,331	10,331	–
Long-term loans receivable	5,321		
Allowance for doubtful accounts	(3,060)		
	2,261	2,264	3
Total assets	¥90,986	¥90,989	¥ 3
Trade payables: Notes	¥ 3,539	¥ 3,539	–
Trade payables: Accounts	25,142	25,142	–
Short-term debt and long-term debt due within one year	16,157	16,157	–
Long-term debt due after one year	11,502	11,583	81
Total liabilities	¥56,340	¥56,421	¥81
Derivative financial instruments	(703)	(703)	–

As of March 31, 2011	Thousands of U.S. dollars Carrying amounts	Fair value	Difference
Cash and cash equivalents	$ 454,736	$ 454,736	$ –
Trade receivables: Notes	77,825	77,825	–
Trade receivables: Accounts	409,675	409,675	–
Investment securities	124,171	124,171	–
Long-term loans receivable	63,954		
Allowance for doubtful accounts	(36,779)		
	27,175	27,211	36
Total assets	$1,093,582	$1,093,618	$ 36
Trade payables: Notes	$ 42,536	$ 42,536	–
Trade payables: Accounts	302,188	302,188	–
Short-term debt and long-term debt due within one year	194,194	194,194	–
Long-term debt due after one year	138,245	139,219	974
Total liabilities	$ 677,163	$ 678,137	$974
Derivative financial instruments	(8,450)	(8,450)	–

(a) Fair values of financial instruments, and matters pertaining to securities and a derivative transactions

Assets

Cash and cash equivalents and trade receivables

The carrying amounts of cash and equivalents and trade receivables approximate their fair value because of their short maturities.

Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for equity instruments and at the quoted price obtained from financial institutions for certain debt instruments. Information on fair value of investment securities is categorized in Note 18.

Long-term loans receivable

The discounted cash flow method was used to estimate fair values, using the Companies' marginal loan rate as the discount rate.

Liabilities

Trade payables, short-term debt and long-term debt due within one year

The carrying amount of short-term debt, long-term debt due within one year and commercial paper approximate their fair value because of their short maturities.

Long-term debt due after one year

The discounted cash flow method was used to estimate fair values, based on interest rates reflected in the move of benchmark rate of return.

Derivative financial instruments

Information on the fair values for derivatives is included in Note 19.

(b) Financial instruments whose fair value cannot be reliably determined

As of March 31, 2011	Carrying amounts Millions of yen	Thousands of U.S. dollars
Unlisted securities	¥ 751	$ 9,026
Investment securities: Unconsolidated subsidiaries and affiliates	959	11,527
Investment: Unconsolidated subsidiaries and affiliates	536	6,442
Total	¥2,246	$26,995

These instruments were not included in (2) Fair value of financial instruments, because their fair value cannot be reliably determined.

(c) Maturity analysis for financial assets

	Millions of yen			
As of March 31, 2011	Due in a year or less	1 – 5 years	5 – 10 years	Due after 10 years
Cash and cash equivalents	¥37,834	¥ –	¥ –	¥ –
Trade receivables: Notes	6,475	–	–	–
Trade receivables: Accounts	34,085	–	–	–
Long-term loans receivable	–	800	507	668
Total	¥78,394	¥800	¥507	¥668

	Thousands of U.S. dollars			
As of March 31, 2011	Due in a year or less	1 – 5 years	5 – 10 years	Due after 10 years
Cash and cash equivalents	$454,736	$ –	$ –	$ –
Trade receivables: Notes	77,825	–	–	–
Trade receivables: Accounts	409,675	–	–	–
Long-term loans receivable	–	9,615	6,094	8,029
Total	$942,236	$9,615	$6,094	$8,029

Long-term loans receivable of ¥3,346 million ($40,216 thousand) was not included in the above schedule, because the repayment schedule could not be determined.

(d) Maturity analysis for long-term debt due after one year

	Millions of yen					
As of March 31, 2011	Due in a year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Due after 5 years
Long-term debt due after one year	¥ –	¥900	¥5,900	¥1,400	¥3,300	¥ –
Total	¥ –	¥900	¥5,900	¥1,400	¥3,300	¥ –

	Thousands of U.S. dollars					
As of March 31, 2011	Due in a year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Due after 5 years
Long-term debt due after one year	$ –	$10,817	$70,913	$16,827	$39,663	$ –
Total	$ –	$10,817	$70,913	$16,827	$39,663	$ –

The information related to financial instruments and related disclosure for the year ended March 31, 2010 was as follows:

(1) Status of financial instruments

The Companies confine cash management to investing in short-term deposits and utilizing short-term bank loans and corporate bond issuance (including commercial paper) for cash management. The Companies utilize derivative financial instruments to minimize market risks, especially the effect of fluctuations in foreign currency exchange rates on assets and liabilities. The Companies do not hold or issue derivative financial instruments for speculative purposes.

The Companies are exposed to credit risks in relation to trade receivables from customers. The Companies regularly monitor the business condition, due date and balance of receivables of major counterparties according to the Companies' credit management regulations in order to reduce credit risk by identifying and minimizing risks at early stages, including deterioration in a counterparty's financial situation. Trade receivables denominated in foreign currencies expose the Companies to exchange rate risks. The Company and some subsidiaries categorize trade receivables denominated in foreign currencies based on currencies and repayment schedule, and hedge exchange rate risks by utilizing forward foreign exchange contracts.

Investment securities owned by the Companies consist primarily of investments in companies with which the Companies have a business relationship. These investments are exposed to market risks arising from fluctuations in their market price. The Companies review the fair value of these investments on a quarterly basis.

Long-term loans receivable are primarily from affiliated companies.

Trade payables are primarily short-term liabilities due within one year. Some trade payables that arise from the procurement of raw materials are denominated in foreign currencies, exposing the Companies to foreign exchange risk. The Companies are to stay the balances of trade payables in a foreign currency within the balances of trade receivables in the same currency.

Short-term loans payable and commercial paper are primarily for operating transactions. Long-term loans payable are primarily for investments in facilities. The Companies borrow long-term funds with fixed interest rates to hedge the risk of interest rate fluctuations.

The Companies utilize derivative financial instruments to reduce the market risk of fluctuations in foreign currency exchange rates on assets and liabilities in accordance with the internal regulations. To further reduce associated credit risk, the Companies contract only with highly-rated financial institutions when utilizing derivative contracts. Please see Note 2 for more details regarding derivatives.

The Companies manage liquidity risk in relation to trade payables and loans payable by preparing cash management plans and maintaining sufficient working capital.

The fair values of financial instruments are based on market prices, and on estimates calculated using reasonable values when the financial instruments do not have market prices. Since certain assumptions are adopted for such calculations, the values may vary under different assumptions.

(2) Fair value of financial instruments

As of March 31, 2010	Millions of yen Carrying amounts	Fair value	Unrecognized gain (loss)
Cash and cash equivalents	¥32,405	¥32,405	¥ –
Trade receivables: Notes	6,673	6,673	–
Trade receivables: Accounts	35,182	35,182	–
Investment securities	12,024	12,024	–
Long-term loans receivable	5,990		
Allowance for doubtful accounts	(3,490)		
	2,500	2,516	16
Total assets	¥88,784	¥88,800	¥16
Trade payables: Notes	¥ 3,930	¥ 3,930	–
Trade payables: Accounts	24,247	24,247	–
Short-term debt and long-term debt due within one year	10,109	10,109	–
Long-term debt due after one year	12,401	12,445	44
Total liabilities	¥50,687	¥50,731	¥44
Derivative financial instruments	(330)	(330)	–

(a) Fair values of financial instruments, and matters pertaining to securities and a derivative transactions

Assets

Cash and cash equivalents and trade receivables

The carrying amounts of cash and equivalents and trade receivables approximate their fair value because of their short maturities.

Investment securities

The fair values of investment securities are measured at the quoted market price of the stock exchange for the equity instruments and at the quoted price obtained from financial institutions for certain debt instruments. Information on fair value of investment securities is categorized in Note 18.

Long-term loans receivable

The discounted cash flow method was used to estimate fair values, using the Companies' marginal loan rate as the discount rate.

Liabilities

Trade payables, short-term debt, and long-term debt due within one year

The carrying amount of short-term debt, long-term debt due within one year and commercial paper approximate their fair value because of their short maturities.

Long-term debt due after one year

The discounted cash flow method was used to estimate fair values, using the Companies' marginal loan rate as the discount rate.

Derivative financial instruments

Information on the fair values for derivatives is included in Note 19.

(b) Financial instruments whose fair value cannot be reliably determined

As of March 31, 2010	Millions of yen Carrying amounts
Unlisted securities	¥ 839
Investment securities: Unconsolidated subsidiaries and affiliates	975
Investment : Unconsolidated subsidiaries and affiliates	444
Total	¥2,258

These instruments were not included in (2) Fair value of financial instruments, because their fair value cannot be reliably determined.

(c) Maturity analysis for financial assets

As of March 31, 2010	Millions of yen Due in a year or less	1 – 5 years	5 – 10 years	Due after 10 years
Cash and cash equivalents	¥32,405	¥ –	¥ –	¥ –
Trade receivables: Notes	6,673	–	–	–
Trade receivables: Accounts	35,182	–	–	–
Long-term loans receivable	–	634	509	766
Total	¥74,260	¥634	¥509	¥766

Long-term loans receivable of ¥4,080 million was not included above, because the repayment schedule could not be determined.

(d) Maturity analysis for Long-term debt due after one year

As of March 31, 2010	Millions of yen Due in a year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	Due after 5 years
Long-term debt due after one year	¥ –	¥901	¥900	¥5,900	¥1,400	¥3,300
Total	¥ –	¥901	¥900	¥5,900	¥1,400	¥3,300

18. Securities

(1) The following tables summarized acquisition costs and book values of available-for-sale securities with available fair values as of March 31, 2011 and 2010:

Securities with book values exceeding acquisition costs:

As of March 31, 2011	Millions of yen Book value	Acquisition cost	Difference
Equity securities	¥7,362	¥4,554	¥2,808
Bonds	–	–	–
Others	–	–	–
Total	¥7,362	¥4,554	¥2,808

As of March 31, 2010	Millions of yen Book value	Acquisition cost	Difference
Equity securities	¥9,929	¥6,112	¥3,817
Bonds	–	–	–
Others	–	–	–
Total	¥9,929	¥6,112	¥3,817

As of March 31, 2011	Thousands of U.S. dollars Book value	Acquisition cost	Difference
Equity securities	$88,486	$54,736	$33,750
Bonds	–	–	–
Others	–	–	–
Total	$88,486	$54,736	$33,750

Securities with book values not exceeding acquisition costs:

As of March 31, 2011	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥2,968	¥3,660	¥(692)
Bonds	–	–	–
Others	–	–	–
Total	¥2,968	¥3,660	¥(692)

As of March 31, 2010	Millions of yen		
	Book value	Acquisition cost	Difference
Equity securities	¥2,095	¥2,399	¥(304)
Bonds	–	–	–
Others	–	–	–
Total	¥2,095	¥2,399	¥(304)

As of March 31, 2011	Thousands of U.S. dollars		
	Book value	Acquisition cost	Difference
Equity securities	$35,673	$43,990	$(8,317)
Bonds	–	–	–
Others	–	–	–
Total	$35,673	$43,990	$(8,317)

The Companies recognize impairment loss on 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 at the end of two consecutive semi-annual periods. Impairment loss for the year ended March 31, 2011 was ¥313 million ($3,762 thousand) and ¥876 million for the year ended March 31, 2010. 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, 2011, 2010 and 2009 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Sales of available-for-sale securities	¥103	¥1	¥52	$1,238
Gains on sales of available-for-sale securities	–	1	44	–
Losses on sales of available-for-sale securities	15	–	–	180

19. Derivative financial instruments

The outstanding balances of derivative contracts as of March 31, 2011 were as follows:

(1) Derivative contracts to which hedge accounting was not applied

Currency related contracts

	Millions of yen				Thousands of U.S. dollars			
	Contract amounts	Amounts due after one year	Fair value	Unrealized gain (loss)	Contract amounts	Amounts due after one year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts								
To sell foreign currencies								
U.S. dollars	¥ 327	¥ –	¥ (5)	¥ (5)	$ 3,930	$ –	$ (60)	$ (60)
To buy foreign currencies								
U.S. dollars	¥5,147	¥4,955	¥(698)	¥(698)	$61,863	$59,555	$(8,389)	$(8,389)

(2) Derivative contracts to which hedge accounting was applied

Currency related contracts

			Millions of yen			Thousands of U.S. dollars		
Hedge accounting method	Sort	Hedged item	Contract amounts	Amounts due after one year	Fair value	Contract amounts	Amounts due after one year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts To sell foreign currencies U.S. dollars	Trade receivables	¥1,420	¥ –	¥(22)	$17,067	$ –	$(264)

The outstanding balances of derivative contracts as of March 31, 2010 were as follows:

(1) Derivative contracts to which hedge accounting was not applied

Currency related contracts

	Millions of yen			
	Contract amounts	Amounts due after one year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts				
To buy foreign currencies				
U.S. dollars	¥5,344	¥5,147	¥(330)	¥(330)

(2) Derivative contracts to which hedge accounting was applied

Currency related contracts

			Millions of yen		
Hedge accounting method	Sort	Hedged item	Contract amounts	Amounts due after one year	Fair value
Deferral hedge accounting	Forward foreign exchange contracts To sell foreign currencies U.S. dollars	Trade receivables	¥2,417	¥ –	¥(59)

20. 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, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligation	¥ 26,936	¥ 28,754	$ 323,750
Less fair value of pension assets	(20,219)	(20,511)	(243,017)
Less unrecognized actuarial differences	(13)	(7)	(156)
Unrecognized prior service costs	(2)	(3)	(24)
Employees' retirement benefits	¥ 6,702	¥ 8,233	$ 80,553

Severance and retirement benefit expenses, included in the consolidated statements of income for the years ended March 31, 2011, 2010 and 2009 were composed of the following:

	Millions of yen			Thousands of U.S. dollars
	2011	2010	2009	2011
Service costs—benefits earned during the year	¥1,137	¥ 1,211	¥1,336	$ 13,666
Interest cost on projected benefit obligation	815	857	870	9,796
Expected return on plan assets	(551)	(161)	(626)	(6,623)
Amortization of actuarial differences	(93)	(2,359)	4,065	(1,118)
Amortization of prior service costs	(69)	(77)	672	(829)
Severance and retirement benefit expenses	¥1,239	¥ (529)	¥6,317	$ 14,892

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

As of March 31	2011	2010	2009
Discount			
Domestic companies	2.43%	2.29%	2.25%
Overseas companies	5.5	6.0	6.7
Expected return on plan assets	2.5%	0.0%	2.1%

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.

21. 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, 2011 and 2010.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deferred tax assets:			
Tax loss carryforwards	¥ 4,374	¥ 4,890	$ 52,572
Retirement benefits of employees	3,180	4,134	38,221
Excess depreciation in overseas subsidiaries	2,201	2,260	26,454
Provision for doubtful accounts	1,767	1,758	21,238
Tax credit	1,547	1,282	18,594
Excess bonuses accrued	998	899	11,995
Taxable retainage of certain foreign subsidiaries	909	866	10,925
Accrued expenses	478	527	5,745
Impairment loss	437	276	5,252
Provision for loss on disaster	418	–	5,024
Loss on devaluation of investment securities	285	343	3,425
Loss on valuation of inventories	231	366	2,776
Provision for cost of business restructuring	147	436	1,767
Amortization of prior service costs of the pension plan	–	5,809	–
Others	1,213	1,527	14,582
Total deferred tax assets	18,185	25,373	218,570
Valuation allowance	(6,655)	(6,369)	(79,988)
Net deferred tax assets	11,530	19,004	138,582
Deferred tax liabilities:			
Additional depreciation in overseas subsidiaries	(2,125)	(2,308)	(25,541)
Deferred gains on property, plant and equipment	(2,099)	(2,149)	(25,228)
Gain on securities contributed to employees' retirement benefit trust	(1,392)	(1,442)	(16,731)
Net unrealized holding gains on securities	(808)	(1,378)	(9,712)
Contribution to funded non-contributory pension plan	–	(6,158)	–
Others	(1,057)	(1,161)	(12,704)
Total deferred tax liabilities	(7,481)	(14,596)	(89,916)
Net deferred tax assets	¥ 4,049	¥ 4,408	$ 48,666

The differences between the statutory tax rate and the Companies' actual effective tax rate for financial statement purposes for the years ended March 31, 2011, 2010 and 2009 were as follows:

	2011	2010	2009
Statutory tax rate	40.6%	40.6%	40.6%
Permanently non-deductible expenses	2.4	3.6	(2.1)
Permanently non-taxable income	(19.4)	(37.3)	1.8
Tax credit	(1.5)	(8.6)	4.3
Change in valuation allowance	14.0	31.1	(14.4)
Dividend income eliminated in consolidation	18.7	35.1	(27.7)
Amortization of goodwill and negative goodwill	(2.3)	(4.9)	3.4
Effect of differences between tax rates in Japan and in other countries	(14.1)	(21.3)	8.1
Devaluation of consolidated subsidiaries' securities and affiliates' securities	–	(25.3)	4.2
Effect of merger with a subsidiary	–	–	10.7
Other, net	(2.3)	1.8	1.1
Actual effective tax rate	36.1%	14.8%	30.0%

22. Business acquisition

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. Moreover, 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.

23. Segment information

Supplementary information

Effective April 1, 2010, the Company adopted the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17 issued on March 27, 2009) and the "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20 issued on March 21, 2008).

1. General information about reportable segments

Reportable segments of the Company include items in the constituent units of our business, for which separate financial information is available, and those items to be reviewed regularly by the Board of Directors to determine the distribution of management resources and evaluate business results.

Taking into consideration the major applications of our products in the market and the similarities of our businesses, the Company reports on the four segments; "Semiconductor materials," "Circuit products," "High performance plastics" and "Quality of life products."

The major products and services categorized in each reportable segment

Reportable Segments	Major products and services
Semiconductor materials	Epoxy resin molding compounds for encapsulation of semiconductor devices, Positive-type photo-sensitive coating resins for semiconductor wafers, Pastes for die bonding, Carrier and cover tapes for mounting semiconductors and electronic components, Adhesive tapes for assembling semiconductors, Semiconductor substrate materials
Circuit products	Flexible printed circuit boards, Phenolic resin copper-clad laminates, Epoxy resin copper-clad laminates
High-performance plastics	Phenolic molding compounds, Phenolic resins for industrial use, Precision molded products, Synthetic resin adhesive
Quality of life products	Medical devices, Melamine resin decorative laminates, Fireproof melamine decorative laminates, Polyvinyl chloride sheets, Multilayered films and sheets, Freshness preserving films, Polycarbonate resin sheets, Design and construction of sheet waterproof system, Biotechnology related products

2. Basis of measurement about reported segment sales, segment income (loss), segment assets and other material items

The accounting policies of the reportable segment are consistent with the description of the summary of significant accounting policies (see Note 2). Segment income (loss) is operating income (loss) of consolidated statements of income. Inter-segment sales are calculated based on market prices.

3. Information about reported segment sales, segment income (loss), segment assets and other material items

Segment information as of and for the years ended March 31, 2011 and 2010 was as follows:

	Millions of yen								
	Reportable Segments								
Year ended March 31, 2011	Semi-conductor materials	Circuit products	High-performance plastics	Quality of life products	Subtotal	Others	Total	Adjustment	Consolidated annual financial statements
Sales:									
Outside customers	¥53,200	¥18,802	¥59,745	¥58,517	¥190,264	¥708	¥190,972	¥ –	¥190,972
Inter-segment	–	–	360	206	566	–	566	(566)	–
Total sales	53,200	18,802	60,105	58,723	190,830	708	191,538	(566)	190,972
Segment income (loss)	6,816	(1,662)	6,450	3,122	14,726	10	14,736	(3,554)	11,182
Segment assets	¥52,866	¥19,846	¥62,652	¥56,300	¥191,664	¥874	¥192,538	¥12,552	¥205,090
Other Items:									
Depreciation and amortization	¥ 2,812	¥ 1,126	¥ 3,156	¥ 2,946	¥ 10,040	¥149	¥ 10,189	¥ 305	¥ 10,494
Amortization of goodwill	–	–	386	–	386	–	386	–	386
Investment amount for affiliated companies to which equity method is applied	–	–	121	–	121	–	121	–	121
Increase of property, plant and equipment and intangible assets	3,342	1,261	3,542	2,284	10,429	24	10,453	203	10,656

"Others" included analytical testing services, leasing of land, etc.

Included in the negative ¥3,554 million ($42,716 thousand) "Adjustment" of "Segment income (loss)" was ¥10 million ($120 thousand) of inter-segment eliminations and ¥3,564 million ($42,836 thousand) of corporate expenses. Corporate expenses principally consisted of basic research and development costs, and general and administrative costs accounted for by the Company.

Included in the ¥12,552 million ($150,865 thousand) "Adjustment" of "Segment assets" was ¥83 million ($998 thousand) of inter-segment eliminations and ¥12,635 million ($151,863 thousand) of corporate assets. Corporate assets principally consisted of investment in securities, basic research and development assets and general and administrative assets held by the Company.

The ¥203 million ($2,440 thousand) "Adjustment" of "Increase of fixed assets and intangible assets" principally consisted of capital investment in basic research and development assets and general and administrative assets held by the Company.

Through adjustment, the Company eliminated differences between total segment income and operating income as reported in the consolidated statements of income.

Year ended March 31, 2010	Millions of yen								
	Reportable Segments								
	Semi-conductor materials	Circuit products	High-performance plastics	Quality of life products	Subtotal	Others	Total	Adjustment	Consolidated annual financial statements
Sales:									
Outside customers	¥45,188	¥18,780	¥50,107	¥56,117	¥170,192	¥652	¥170,844	¥ –	¥170,844
Inter-segment	–	–	305	368	673	–	673	(673)	–
Total sales	45,188	18,780	50,412	56,485	170,865	652	171,517	(673)	170,844
Segment income (loss)	6,381	(1,659)	3,518	3,163	11,403	(25)	11,378	(3,837)	7,541
Segment assets	¥51,542	¥24,679	¥61,220	¥54,235	¥191,676	¥904	¥192,580	¥14,679	¥207,259
Other Items:									
Depreciation and amortization	¥ 2,974	¥ 1,561	¥ 3,413	¥ 3,064	¥ 11,012	¥142	¥ 11,154	¥ 321	¥ 11,475
Amortization of goodwill	–	–	399	5	404	–	404	–	404
Investment amount for affiliated companies to which equity method is applied	–	–	131	–	131	–	131	–	131
Increase of property, plant and equipment and intangible assets	2,434	1,638	2,685	2,174	8,931	166	9,097	164	9,261

"Others" included analytical testing services, leasing of land, etc.

Included in the negative ¥3,837 million "Adjustment" of "Segment income (loss)" was ¥16 million of inter-segment eliminations and ¥3,821 million of corporate expenses. Corporate expenses principally consisted of basic research and development costs, and general and administrative costs accounted for by the Company.

Included in the ¥14,679 million "Adjustment" of "Segment assets" was ¥95 million of inter-segment eliminations and ¥14,774 million of corporate assets. Corporate assets principally consisted of investment in securities, basic research and development assets and general and administrative assets held by the Company.

The ¥164 million "Adjustment" of "Increase of property, plant and equipment and intangible assets" principally consisted of capital investment in basic research and development assets and general and administrative assets held by the Company.

Through adjustment, the Company eliminated differences between total segment income and operating income as reported in the consolidated statements of income.

Year ended March 31, 2011	Thousands of U.S. dollars								
	Reportable Segments								
	Semi-conductor materials	Circuit products	High-performance plastics	Quality of life products	Subtotal	Others	Total	Adjustment	Consolidated annual financial statements
Sales:									
Outside customers	$639,423	$225,986	$718,089	$703,329	$2,286,827	$ 8,510	$2,295,337	$ –	$2,295,337
Inter-segment	–	–	4,326	2,476	6,802	–	6,802	(6,802)	–
Total sales	639,423	225,986	722,415	705,805	2,293,629	8,510	2,302,139	(6,802)	2,295,337
Segment income (loss)	81,923	(19,976)	77,524	37,524	176,995	120	177,115	(42,716)	134,399
Segment assets	$635,409	$238,534	$753,028	$676,683	$2,303,654	$10,505	$2,314,159	$150,865	$2,465,024
Other Items:									
Depreciation and amortization	$ 33,798	$ 13,534	$ 37,932	$ 35,409	$ 120,673	$ 1,791	$ 122,464	$ 3,666	$ 126,130
Amortization of goodwill	–	–	4,639	–	4,639	–	4,639	–	4,639
Investment amount for affiliated companies to which equity method is applied	–	–	1,454	–	1,454	–	1,454	–	1,454
Increase of property, plant and equipment and intangible assets	40,168	15,156	42,573	27,452	125,349	288	125,637	2,440	128,077

Related information

(1) Information about geographical areas

Sales and property, plant and equipment by regions for the year ended March 31, 2011 were as follows:

(a) Sales

Millions of yen					
	Asia		North	Europe	
Japan	China	Others	America	and others	Total
¥92,304	¥26,576	¥45,230	¥12,855	¥14,007	¥190,972

Sales were classified into country or area based on the customer's location

Thousands of U.S. dollars					
	Asia		North	Europe	
Japan	China	Others	America	and others	Total
$1,109,424	$319,423	$543,630	$154,507	$168,353	$2,295,337

(b) Property, plant and equipment

Millions of yen					
	Asia		North	Europe	
Japan	China	Others	America	and others	Total
¥46,995	¥6,737	¥8,431	¥5,048	¥5,980	¥73,191

Thousands of U.S. dollars					
	Asia		North	Europe	
Japan	China	Others	America	and others	Total
$564,844	$80,974	$101,334	$60,673	$71,875	$879,700

(2) Impairment loss of property, plant and equipment

Impairment loss of property, plant and equipment by reportable segments for the year ended March 31, 2011 was as follows:

	Millions of yen							
	Reportable Segments							
	Semiconductor materials	Circuit products	High-performance plastics	Quality of life products	Subtotal	Others	Eliminations or corporate	Total
Impairment loss	¥21	¥ –	¥74	¥ –	¥95	¥ –	¥420	¥515

¥420 million of "Eliminations or corporate" was impairment loss of corporate assets.

	Thousands of U.S. dollars							
	Reportable Segments							
	Semiconductor materials	Circuit products	High-performance plastics	Quality of life products	Subtotal	Others	Eliminations or corporate	Total
Impairment loss	$252	$ –	$889	$ –	$1,141	$ –	$5,049	$6,190

(3) Goodwill and negative goodwill by reportable segment

The depreciation and amounts of goodwill and negative goodwill by reportable segment for the year ended March 31. 2011 were as follows:

	Millions of yen							
	Reportable Segments							
	Semiconductor materials	Circuit products	High-performance plastics	Quality of life products	Subtotal	Others	Eliminations or corporate	Total
Goodwill:								
Depreciation	¥ –	¥ –	¥ 386	¥ –	¥ 386	¥ –	¥ –	¥ 386
Amounts	–	–	5,255	–	5,255	–	–	5,255
Negative goodwill:								
Depreciation	–	139	–	682	821	–	–	821
Amounts	–	243	–	548	791	–	–	791

	Thousands of U.S. dollars							
	Reportable Segments							
	Semiconductor materials	Circuit products	High-performance plastics	Quality of life products	Subtotal	Others	Eliminations or corporate	Total
Goodwill:								
Depreciation	$ –	$ –	$ 4,639	$ –	$ 4,639	$ –	$ –	$ 4,639
Amounts	–	–	63,161	–	63,161	–	–	63,161
Negative goodwill:								
Depreciation	–	1,671	–	8,197	9,868	–	–	9,868
Amounts	–	2,921	–	6,586	9,507	–	–	9,507

Segment information as of and for the years ended March 31, 2010 and 2009, which are in conformity with the former standard applicable to the prior year, were as follows:

Information by business segment for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen							
Year ended March 31, 2010	Semiconductor and display materials	Circuit products	High-performance plastics	Quality of life products	Others	Total	Eliminations or corporate	Consolidated
Sales:								
Outside customers	¥45,188	¥18,780	¥50,107	¥56,117	¥652	¥170,844	¥ –	¥170,844
Inter-segment	–	–	305	368	–	673	(673)	–
Total sales	45,188	18,780	50,412	56,485	652	171,517	(673)	170,844
Operating expenses	38,807	20,439	46,894	53,322	677	160,139	3,164	163,303
Operating income	¥ 6,381	¥ (1,659)	¥ 3,518	¥ 3,163	¥ (25)	¥ 11,378	¥ (3,837)	¥ 7,541
Identifiable assets	¥51,542	¥24,679	¥61,220	¥54,235	¥904	¥192,580	¥14,679	¥207,259
Depreciation and amortization	2,995	1,565	3,827	3,116	142	11,645	323	11,968
Impairment loss	–	–	57	–	–	57	123	180
Capital expenditures	2,434	1,638	2,685	2,174	166	9,097	164	9,261

"Eliminations or corporate" in the "Operating expenses" row included corporate expenses of ¥3,821 million in the year ended March 31, 2010, 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 included corporate assets of ¥14,774 million as of March 31, 2010, 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.

Year ended March 31, 2009	Semiconductor and display materials	Circuit products	High-performance plastics	Quality of life products	Others	Total	Eliminations or corporate	Consolidated
	Millions of yen							
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 included corporate expenses of ¥5,174 million 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 included corporate assets of ¥13,729 million as of 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 Note 3, effective April 1, 2008, the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9) has been applied. As a result, operating income decreased by ¥60 million in the Semiconductor and display materials segment, by ¥134 million in the High-performance plastics segment, by ¥90 million in the Quality of life products segment, increased by ¥3 million in the Other segment, and operating losses increased by ¥116 million in the Circuit products segment.

As mentioned in Note 3, effective from the year ended March 31, 2009, the "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 in the Semiconductor and display materials segment, by ¥126 million in the High-performance plastics segment, by ¥212 million in the Quality of life products segment, by ¥0 million in the Other segment. Operating losses decreased by ¥55 million in the Circuit products segment. Moreover, corporate expenses in "Eliminations or corporate" decreased by ¥73 million.

Information by geographic area for the years ended March 31, 2010 and 2009 were as follows:

Year ended March 31, 2010	Domestic	Asia	North America	Europe and others	Total	Eliminations or corporate	Consolidated
	Millions of yen						
Sales:							
Outside customers	¥103,800	¥44,470	¥10,180	¥12,394	¥170,844	¥ –	¥170,844
Inter-segment	10,078	6,554	297	9	16,938	(16,938)	–
Total sales	113,878	51,024	10,477	12,403	187,782	(16,938)	170,844
Operating expenses	106,674	46,666	11,110	12,163	176,613	(13,310)	163,303
Operating income	¥ 7,204	¥ 4,358	¥ (633)	¥ 240	¥ 11,169	¥ (3,628)	¥ 7,541
Identifiable assets	¥172,773	¥60,219	¥11,263	¥18,486	¥262,741	¥(55,482)	¥207,259

"Eliminations or corporate" in the "Operating expenses" row included corporate expenses of ¥3,821 million in the year ended March 31, 2010, 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 included corporate expenses of ¥14,774 million at March 31, 2010, which consisted principally of cash, investment in securities, basic research and development assets and general and administrative assets held by the Company.

	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 included corporate expenses of ¥5,174 million 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 included corporate assets of ¥13,729 million as of 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 Note 3, effective April 1, 2008, the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9) has been applied. As a result, operating losses increased by ¥397 million in the Japan segment.

As mentioned in Note 3, effective from the year ended March 31, 2009, the "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 in the Japan segment. Moreover, corporate expenses in "Eliminations or corporate" decreased by ¥73 million.

Overseas sales for the years ended March 31, 2010 and 2009 were as follows:

	Millions of yen			
Year ended March 31, 2010	Asia	North America	Europe and others	Total
Overseas sales	¥59,807	¥10,238	¥11,854	¥ 81,899
Consolidated net sales				170,844
Percent of consolidated net sales	35.0%	6.0%	6.9%	47.9%

	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%

24. Short-term debt and long-term debt

Short-term debt consists of bank loans and commercial paper. Short-term debt and its interest rates as of March 31, 2011 and 2010 consisted of the following:

As of March 31, 2011	Millions of yen	Thousands of U.S. dollars	Average interest rate
Loans from banks and other companies	¥ 4,257	$ 51,166	0.7%
Commercial paper	11,000	132,211	0.2%
Total	¥15,257	$183,377	

As of March 31, 2010	Millions of yen	Average interest rate
Loans from banks and other companies	¥4,609	0.9%
Commercial paper	3,000	0.1%
Total	¥7,609	

Long-term debt as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Unsecured loans from banks and organizations due through 2016 with average interest rate 1.7% at March 31, 2011 (1.7% at March 31, 2010)	¥12,402	¥14,901	$149,062
	12,402	14,901	149,062
Less amount due within one year	900	2,500	10,817
Total	¥11,502	¥12,401	$138,245

The annual maturities of long-term debt as of March 31, 2011 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 900	$10,817
2013	900	10,817
2014	5,900	70,913
2015	1,400	16,827
2016	3,300	39,663

25. Subsequent events

At the general meeting of shareholders held on June 29, 2011, retained earnings as of March 31, 2011, were appropriated as follows:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends ¥7.5 ($0.09) per share	¥1,807	$21,719

Independent Auditors' Report

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
Years ended March 31, 2011, 2010 and 2009

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 its consolidated subsidiaries as of March 31, 2011 and 2010, the related consolidated statements of income and comprehensive income for the year ended March 31, 2011, statements of income for the years ended March 31, 2010 and 2009, and statements of changes in net assets and cash flows for each of the three years in the period ended March 31, 2011, 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 its subsidiaries as of March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2011, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC

Tokyo, Japan
June 29, 2011

Corporate Data

(As of March 31, 2011)

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)3-5462-4111
Facsimile: +81-(0)3-5462-4899

Corporate Finance & Planning Div.
Phone: +81-(0)3-5462-3452
Facsimile: +81-(0)3-5462-4876

Established:

January 25, 1932

Capital:

¥37,143,093,785

Employees:

Consolidated	7,724
Non-consolidated	2,824*
*Including employees on loan	511

URL:

http://www.sumibe.co.jp/english

Investor Information

(As of March 31, 2011)

Common Stock:

Stock trading unit	1,000 shares
Authorized	800,000,000 shares
Issued and outstanding	262,952,394 shares
Number of shareholders	18,097*
*Number of share trading unit holders included in above	13,355

Common Stock Listing:

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

Independent Auditor:

KPMG AZSA LLC

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)	Percentage of total shares issued and outstanding
Sumitomo Chemical Co., Ltd.	52,549	21.81
Japan Trustee Services Bank, Ltd. (trust account)	18,417	7.64
The Master Trust Bank of Japan, Ltd. (trust account)	13,770	5.72
Japan Trustee Services Bank, Ltd. (retirement payment account of The Sumitomo Trust & Banking Co., Ltd.)	4,366	1.81
The Mitsui Sumitomo Bank, Limited	4,360	1.81
Mellon Bank, N.A. As Agent For Its Client Mellon Omnibus US Pension	3,228	1.34
Japan Trustee Services Bank, Ltd. (trust account 9)	3,122	1.30
Mitsui Sumitomo Insurance Company, Limited	2,637	1.09
Sumitomo Life Insurance Company	2,617	1.09
Nomura Asset Management U.K. Limited Sub A/C Evergreen Nominees Ltd	2,571	1.07

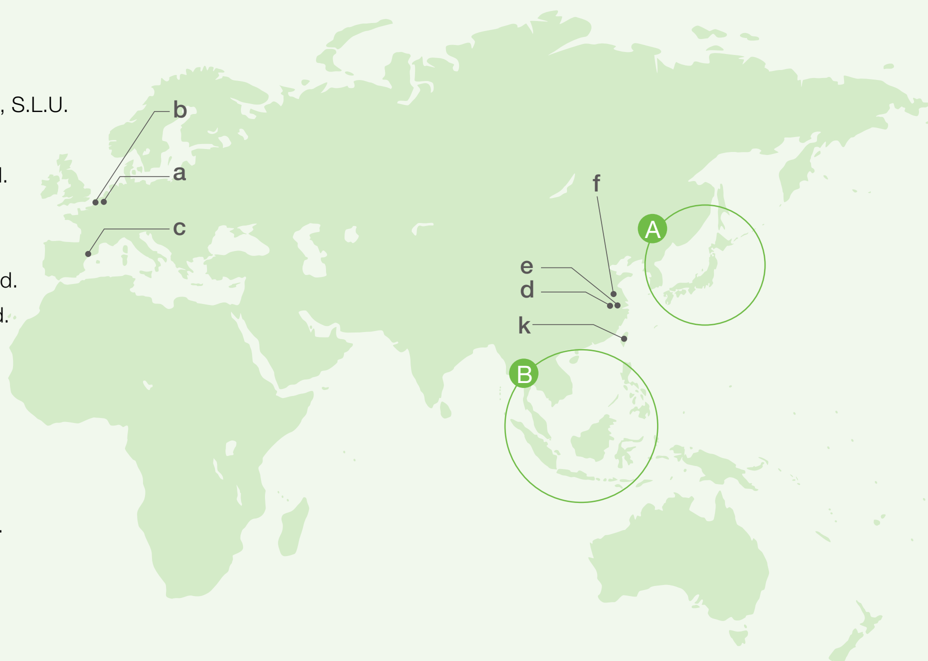
Notes: 1.The Company holds 22,024 thousand shares of treasury stock, which are excluded from stock held by the principal shareholders listed above.
2.The calculation of the percentage of total shares issued and outstanding presented above excludes treasury stock.

Global and Domestic Network

(As of September 2011)

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. Sumitomo Bakelite (Shanghai) Co., Ltd.
f. Sumitomo Bakelite (Nantong) Co., Ltd.
g. Basec Hong Kong Limited
h. Sumitomo Bakelite (Dongguan) Co., Ltd.
i. Sumitomo Bakelite Hong Kong Co., Ltd.
j. Sumitomo Bakelite Macau Co., Ltd.
k. Sumitomo Bakelite (Taiwan) Co., Ltd.
l. P.T. Indopherin Jaya
m. P.T. SBP Indonesia
n. SNC Industrial Laminates Sdn. Bhd.
o. Sumitomo Bakelite Singapore Pte. Ltd.
p. Sumicarrier Singapore Pte. Ltd.
q. Sumidurez Singapore Pte. Ltd.
r. Sumitomo Bakelite (Thailand) Co., Ltd.
s. Sumitomo Bakelite Vietnam Co., Ltd.
t. Sumitomo Plastics America, Inc.
u. Durez Corporation
v. Promerus LLC
w. Sumitomo Bakelite North America, Inc.
x. Durez Canada Co., Ltd.



Head Office

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

General Affairs &
Corporate Legal Dept.
Phone: +81-(0)3-5462-4111
Facsimile: +81-(0)3-5462-4899

Corporate Finance & Planning Div.
Phone: +81-(0)3-5462-3452
Facsimile: +81-(0)3-5462-4876

Offices

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

Nagoya Office
3-71 Hongo, Meito-ku, Nagoya,
Aichi 465-0024, JAPAN
Phone: +81-(0)52-726-8351
Facsimile: +81-(0)52-726-8398

Laboratories

Advanced Technologies R&D 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 & Sheets Research Laboratory
(Located at Amagasaki Plant)

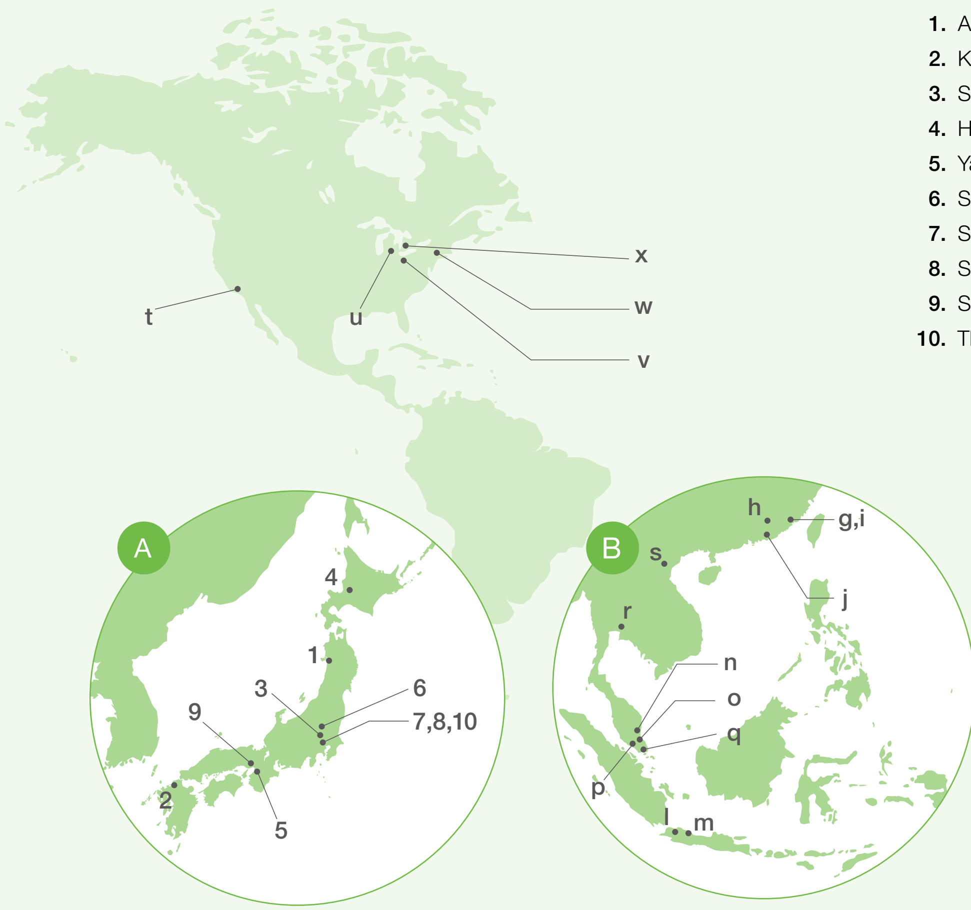
Plates & Decola Research Laboratory
(Located at Kanuma and Shizuoka Plants)

Production Engineering Research Laboratory

High Performance Plastic Products Laboratories

Domestic

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



Automotive Products Development Laboratory

Circuitry, Electric & Industrial Plastics Development Laboratory
(Located at Shizuoka Plant)

Information & Telecommunication Material Laboratories

Electronic Device Materials Research Laboratory
(Located at Utsunomiya 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

Shizuoka Plant
2100 Takayanagi, Fujieda, Shizuoka
426-0041, JAPAN
Phone: +81-(0)54-635-2420
Facsimile: +81-(0)54-636-0294

Utsunomiya Plant
20-7 Kiyohara-Kogyodanchi, Utsunomiya,
Tochigi 321-3231, JAPAN
Phone: +81-(0)28-667-6211
Facsimile: +81-(0)28-667-5519

SUMITOMO BAKELITE CO., LTD.

PLASTICS 100th

Pioneer in Plastics

Printed in Japan on recycled paper

Responsible Care®