July, 2013

Annual Report

For the year ended March 31, 2013

SUMITOMO BAKELITE CO., LTD.

Profile

Among the various plastics, phenolic resin has the oldest history. It was developed in 1907 by Dr. Leo H. Baekeland, an American of Belgian ancestry, who named his creation “Bakelite”. In 1911, Sankyo Company (currently Daiichi Sankyo Co., Ltd.) was granted exclusive license to the patent rights of this plastic in Japan through the agency of Dr. Jokichi Takamine, a close friend of Dr. Baekeland, and trial production of phenolic resin commenced at the Shinagawa Plant of Sankyo Company. This achievement marked the beginning of Japan’s plastics industry and is also the origin of our company name.

In 1932, the phenolic resin business of Sankyo Co., Ltd. was separated and to form Nippon Bakelite Co., Ltd. In 1955, Nippon Bakelite Co., Ltd. merged with Sumitomo Synthetic Resin Industries, Ltd. and founded Sumitomo Bakelite Co., Ltd., which continues to this day.

As a pioneer in plastics, we have been leveraging our advanced expertise and state-of-the-art facilities to continually develop new technologies for use in various fields in order to contribute to the creation of safe and comfortable living environments.

Financial Highlights

	Millions of yen			Thousands of U.S. dollars
	FY2012 ended March 31, 2013	FY2011 ended March 31, 2012	FY2010 ended March 31, 2011	FY2012 ended March 31, 2013
Net sales	**¥183,362**	¥185,237	¥190,972	**$1,948,596**
Net income	**3,443**	2,525	5,154	**36,591**
Total assets	**213,826**	201,315	205,090	**2,272,335**
Shareholders’ equity	**139,654**	138,621	139,716	**1,484,102**
	Yen			U.S. dollars
Net income per share	**¥14.29**	¥10.48	¥21.39	**$0.15**
Diluted net income per share	**—**	—	—	**—**
Cash dividends per share	**10.00**	12.50	15.00	**0.10**

Note: U.S. dollar amounts are translated from yen at the rate of ¥94.1 to US$1, the approximate exchange rate as of March 29, 2013.

Contents

In this publication, the name of the companies may be represented in simplified forms by omitting “Company Limited”, “Inc.” and/or other legal entity identifications. For example, “Sumitomo Bakelite Company Limited” may be represented as “Sumitomo Bakelite Co., Ltd.”, “Sumitomo Bakelite”, or “the Company”.

President's Message

As a pioneer in plastics, we strive to contribute to creating value for customers through discovering and providing new functions of plastics, which will lead to growth of the Group through realization of customer satisfaction, and from which the Company can become a company that "provides joy," that "customers are happy with," and that "is welcomed by the society" in the eyes of stakeholders.

Operating Environment in Fiscal 2012

During fiscal 2012, ended March 31, 2013, the global economy, despite the moderate recovery of the U.S., generally remained in a state of deceleration, as the repercussions of the economic stagnation stemming from the European fiscal crisis were felt even in the economies of the emerging countries including China. Meanwhile, although the Japanese economy continued to languish under prolonged deflation and the faltering world economy, it became enveloped in a sense of anticipation toward the future in the weakening yen and rising stock prices following the administration change last December. However, economic recovery is expected to gain full momentum only from the following fiscal year or beyond.

Turning to the environment surrounding Sumitomo Bakelite's business, the market for semiconductors remained weak overall as the demand for smartphones and tablet devices slowed down from the end of the year, although it had progressed favorably thus far, in addition to the sluggish sales of flat-screen TVs and personal computers. In automobiles, sales in Japan increased thanks to the effects of the eco-car subsidies, and the sales were also strong in North America backed by replacement demand. In the emerging countries such as China, however, growth slowed down, and sales were also sluggish in Europe. Meanwhile, housing starts in Japan increased due to the government's home acquisition incentive as well as reconstruction demand from the Great East Japan Earthquake.

Overview of Fiscal 2012 Results

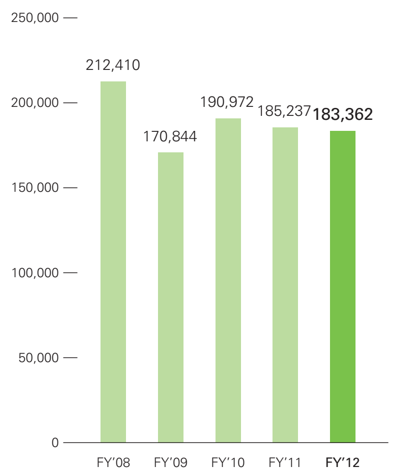
In the operating environment explained above, the Sumitomo Bakelite Group worked to maintain its lean management structure and leveraged its collective strength toward new growth, while adhering to the following policies.

1. Revitalize existing domestic businesses and change their business models
2. Launch new businesses at an early stage and further promote creation of new businesses
3. Reinforce profitability of overseas businesses and expand the business scale

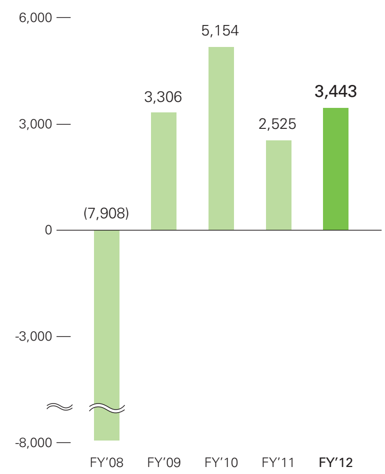
In terms of Sumitomo Bakelite's performance, consolidated net sales decreased by 1.0% from fiscal 2011 to ¥183,362 million. This was mainly due to the effects of withdrawal from the flexible printed circuits business and the decrease in net sales of overseas subsidiaries when translated into Japanese yen, in addition to the dismal state of the market.

On the earnings front, consolidated operating income increase by 68.3% year on year to ¥7,956 million and consolidated ordinary income similarly increased by 44.2% year on year to ¥8,551 million. This was due mainly to the Company's earnest efforts to improve its profit structure through the reduction of fixed costs and the development of a customer-oriented sales system, in addition to the ¥2,052 million increase in the amount of actuarial adjustment in retirement allowances, resulting in a gain of ¥545 million yen in fiscal 2012, compared to a loss of ¥1,507 million in fiscal 2011. While posting extraordinary losses of impairment losses on dormant land and loss on devaluation of investment securities, and an increase in tax expense, a consolidated net income of ¥3,443 million, up 36.4% from fiscal 2011, was recorded.

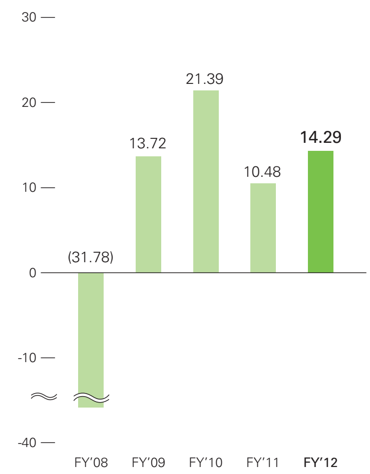
Net sales
(Millions of yen)



Net income (loss)
(Millions of yen)



Net income (loss) per share
(Millions of yen)



In terms of the fiscal year-ends of the Company's consolidated subsidiaries, certain domestic subsidiaries had fiscal years ending in January or February, while the fiscal year-ends of all overseas subsidiaries were December. The Company has recently taken steps to unify the fiscal year-ends of these subsidiaries into March, the consolidated fiscal year-end. For fiscal 2012, the fiscal year-ends of all domestic and European consolidated subsidiaries were changed to March, and consequently, the performances between the 13-month to 15-month period were consolidated for these subsidiaries.

A year on year comparison of the Company's performance on an actual basis that excludes the effects of these changes in the fiscal year-ends of the subsidiaries and the actuarial adjustment in retirement allowances are shown in the following page.

As for dividends, Sumitomo Bakelite has declared a year-end divided of ¥5.0 per common share. (Added to the interim dividend paid, the full fiscal year cash dividend for fiscal 2012 is ¥10.0 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 besides it raised ¥3.0 billion through a syndicated loan to be used primarily for capital expenditures. Meanwhile, total capital expenditures for the period under review amounted to ¥17,588 million.

Basic Policies

Going forward, despite the continuing slump forecasted for Europe, the global economy is expected to maintain its recovery trajectory on the back of improved conditions in China and the U.S. Meanwhile, in terms of the Japanese economy also, signs of recovery are being discerned, including an increase in exports thanks to the recovery of the global economy and the weakening yen, and expectations are high for the economic measures by the new administration to take effect.

The Sumitomo Bakelite Group under the mid-term business plan intends to work toward achieving its targets of posting net sales of ¥300,000 million and operating income of ¥35,000 million by maintaining its lean management, while revitalizing existing domestic businesses and changing their business models to the end of expanding its share of the market and increasing sales, and contributing to the increase in sales through the early launch and further creation of new businesses, as well as reinforcing profitability of its overseas businesses and expanding the business scale.

As the Group has secured the necessary production capacity to achieve the target sales amount through capital expenditures, it believes that the greatest remaining task is the reinforcement and expansion of its sales framework, and to this end the Group intends to make CS (Customer Satisfaction) the main focus of its fundamental business policy. By increasing contact and engaging in deepened communication with the customers, the Group, in a concerted effort with its customers, will develop and offer products that incorporate their true needs.

In the IT components and materials business, the Company will reinforce its global business structure by establishing R&D, production and sales functions at each of its overseas bases. By offering products that match the needs of customers of each region, the Company hopes to reinforce sales of its general-purpose products as well as its state-of-the-art materials. As for LαZ substrate materials for semiconductor packages, the Company has been utilizing its second production base within the Utsunomiya Plant to establish an optimal production system together with its Shizuoka Plant, thereby aiming at expanding the use of the materials to a range of related devices in addition to application processors that have already incorporated them.

In the high-performance plastics business, the Company will enhance the production capacity of phenolic resin and long-fiber molding compounds for use in automobiles and

Comparison of actual performance (consolidated)

(Billions of yen)

	FY2012 ended March, 2013	FY2011 ended March, 2012	Change (%)
Net sales	178.9	185.2	(3.4)
Operating income	7.2	6.2	15.1
Ordinary income	7.8	7.4	4.6
Net income	3.0	3.5	(14.0)

Note: Performance presented above excludes effects of the change in fiscal year-ends of subsidiaries and the amounts of actuarial adjustments for retirement allowances.

shale gas production in North America, increase the sales for use in automobile and residential through investments to augment production capacity in Europe, and thus once again will put the businesses in the U.S. and Europe back onto a growth trajectory. In China, the Company intends to improve the profitability of the phenolic resin and molding compound business at Sumitomo Bakelite (Nantong) Co., Ltd., while constructing a new plant for liquid epoxy resin to be used as insulating materials for the ignition coils of automobiles on the same premises. Additionally, the Company intends to cultivate the Indian market through its Indian sales subsidiary established in April of this year.

In the medical devices business, the Company will step up its community-based activities that utilize each of its regional sales bases in Japan, as well as promote the development of new products. The Company also intends to enhance its overseas market development in the ASEAN region and Europe in addition to China, where it has already obtained pharmaceutical approval.

In the films & sheets business, the Company will further differentiate itself from its competitors in the pharmaceutical packaging, food packaging and industrial fields where the strengths of the Company lies, by launching high-performance products. On the other hand, it has commenced construction of a new production base on the recently-acquired site next to Sumitomo Bakelite (Nantong) Co., Ltd. and hopes to increase sales in China where growth in demand is anticipated.

In the building materials business, the Company is reinforcing its customer-oriented structure in BtoB business, while proposing and offering materials with differentiated performance such as polycarbonate resin plates with reinforced soil-resistant functions and ultra-thin melamine resin decorative laminates, in an effort to transform its current business and expand sales.

As for new businesses, a new Business Development Department was established in April of this year for the anode material for lithium-ion rechargeable batteries, and efforts are being made to commence full-scale operations of the production facilities in Akita. As for optical-electrical composite waveguides to be used in high-speed transmission of large volumes of signals in super computers and next-generation telecommunication devices, the Company has established a trial plant within the Utsunomiya Plant and has been collaborating with its users towards commercialization and planning for the installation of a mass production line. In addition, the Company will engage in initiatives aimed at the medium- to long-term development and commercialization such as preparations to launch micro-active catheters, which are expected to enhance the efficiency of endovascular treatment, a procedure gaining popularity as a treatment with reduced burden on patients; antibody drugs for killing cancer cells; and biotechnology-related products, to be used in the glycan purification and analysis, which are essential in the field of regenerative medicine using iPS cells.

While pursuing these initiatives in each of its business fields, the Sumitomo Bakelite Group will engage in business activities that are safe and environmentally friendly, and fulfill its corporate social responsibility by thoroughly enforcing compliance in order to win the trust and appreciation of each and every one of its stakeholders.

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.

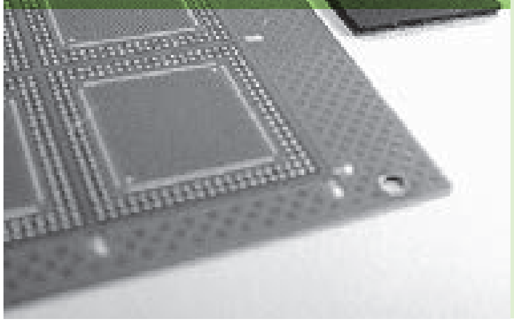
June 2013

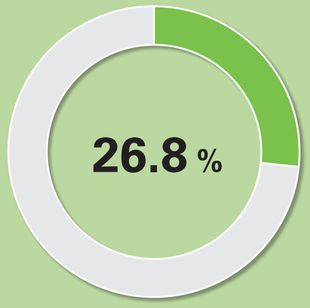
Shigeru Hayashi
President

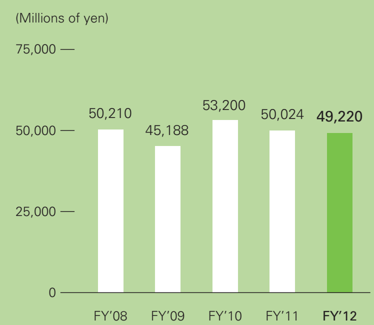
At a Glance

Segment	Segment Sales to Total Sales	Net Sales

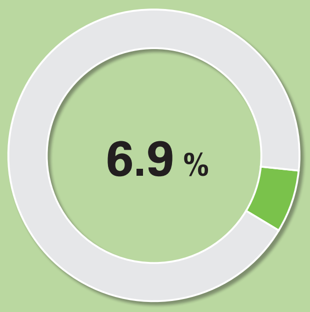
Semiconductor Materials

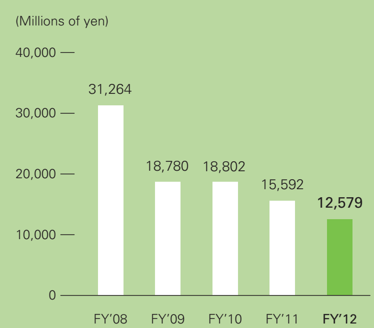




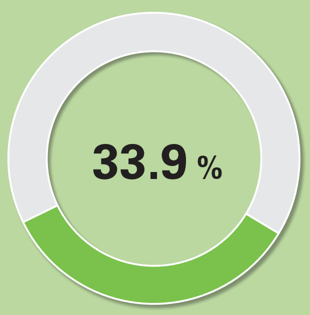


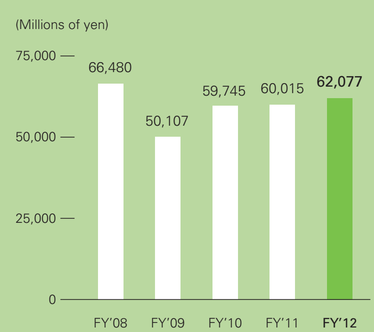
Circuit Products



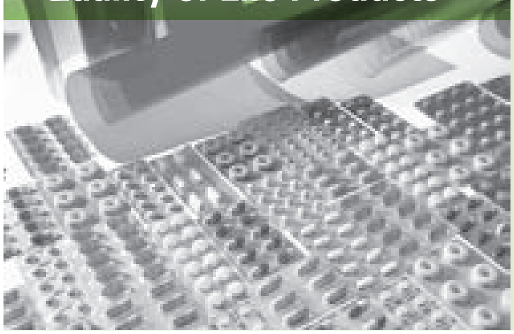


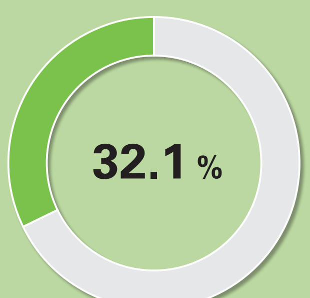
High-Performance Plastics

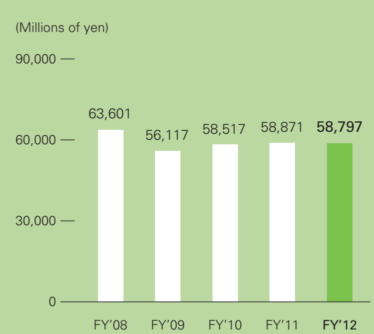




Quality of Life Products







Note: The Others segment recorded net sales of ¥686 million in fiscal 2012.

Overview

Although epoxy resin molding compounds for encapsulation of semiconductor devices performed strongly in the field of smartphones and tablet devices, sales declined overall due to sluggish sales in their main markets, namely flat-screen TVs and personal computers. Sales of LαZ substrate materials for semiconductor packages increased as mobile devices such as smartphones and tablet devices have become thinner and equipped with even more advanced functions. Construction of the second production base for LαZ within the Utsunomiya Plant, which had commenced in an effort to ensure stable supply in response to growing future demand and to reinforce cost competitiveness, was recently completed, and preparations are currently being made for mass production. In terms of carrier tapes for mounting semiconductor components, the Company has been manufacturing two types of carrier tapes: molded component sheets for storing IC chips and cover tapes used as covering materials. Subsequently, the Company, from the standpoint of selection and concentration, has decided to concentrate its management resources in the base materials for molded component sheets and cover tapes in the films & sheets business, which would take better advantage of its strengths. Consequently, the Company has decided to terminate the carrier tape molded component business at the Amagasaki Plant and Sumicarrier Singapore Pte. Ltd., and dissolve said company.

Sales of epoxy resin copper-clad laminates and phenolic resin copper-clad laminates declined overall due to flagging sales in the consumer products market, reflecting the sluggish sales of digital electronic appliances such as flat-screen TVs, and also as a result of deteriorating sales in the automobile market in the latter half of the year due to production adjustments by the manufacturers, despite the sales had started out the year on a strong note. The Group's withdrawal from the flexible printed circuits business was completed as of the end of September 2012 and the Group's entire equity interest in Sumitomo Bakelite Vietnam Co., Ltd. was transferred to Sumitomo Electric Industries, Ltd.

Sales of phenolic molding compounds, phenolic resins for industrial use and molded products increased in Japan and North America thanks to strong sales in the automobile markets. While the segment reported an overall increase in net sales, however, actual sales after eliminating the increase in sales resulting from the change in the fiscal year-ends of the European subsidiaries declined. This was due primarily to the serious decline in demand for tires and friction materials in Europe as a result of the fiscal crisis, compounded with the effects of the decrease in net sales of overseas subsidiaries when translated into Japanese yen as a result of its appreciation. Thus far, the Indian market, where demand has been growing for phenolic resins for industrial use and phenolic molding compounds, has been covered by exports from the Group's European subsidiaries. In stead of such approach, in April of this year, a local sales subsidiary "SBE India Private Limited," has been established to cultivate the growing market as well as offer reinforced support to local customers primarily in the automobile market.

Sales increases in medical devices were recorded for the ninth consecutive year thanks to the strong sales of new products including the "Clio Drain Vac," a low-pressure drainage system for the abdominal cavity, the "X-Gate," an abdominal surgical retractor used in laparoscopic surgery, and the "SB Knife," a high frequency knife used in digestive endoscopic procedures. Moreover, in order to reinforce its community-based sales activities, the Group established seven new sales bases in addition to the seven existing bases nationwide and increased the number of sales personnel. Additionally, in an effort to boost its overseas sales activities, Global Sales Department was newly established. In the films & sheets business, which covers vinyl resin sheets and multilayer sheets, sales of pharmaceutical products packaging materials increased primarily for manufacturers of generic pharmaceuticals. In the plates business, which includes polycarbonate resin plates and vinyl resin plates, sales of construction materials increased as a result of rising repair demand due to the effects of the extreme weather. However, sales overall remained more or less the same as the previous fiscal year, due to decreased sales in the optical material field. In the waterproof systems business, sales climbed for both housing starts and renovations, thanks to the government's home acquisition incentive as well as restoration demand. In Decola business, which handles melamine resin decorative laminates and the fireproof laminates, the Group's aggressive marketing has paid off, and the newly developed, thin fireproof melamine resin decorative sheet, "Decola Innovair," has been adopted extensively by office buildings and hospitals in the Tokyo Metropolitan area.

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, the Company 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 the steadiness. 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 executing 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.

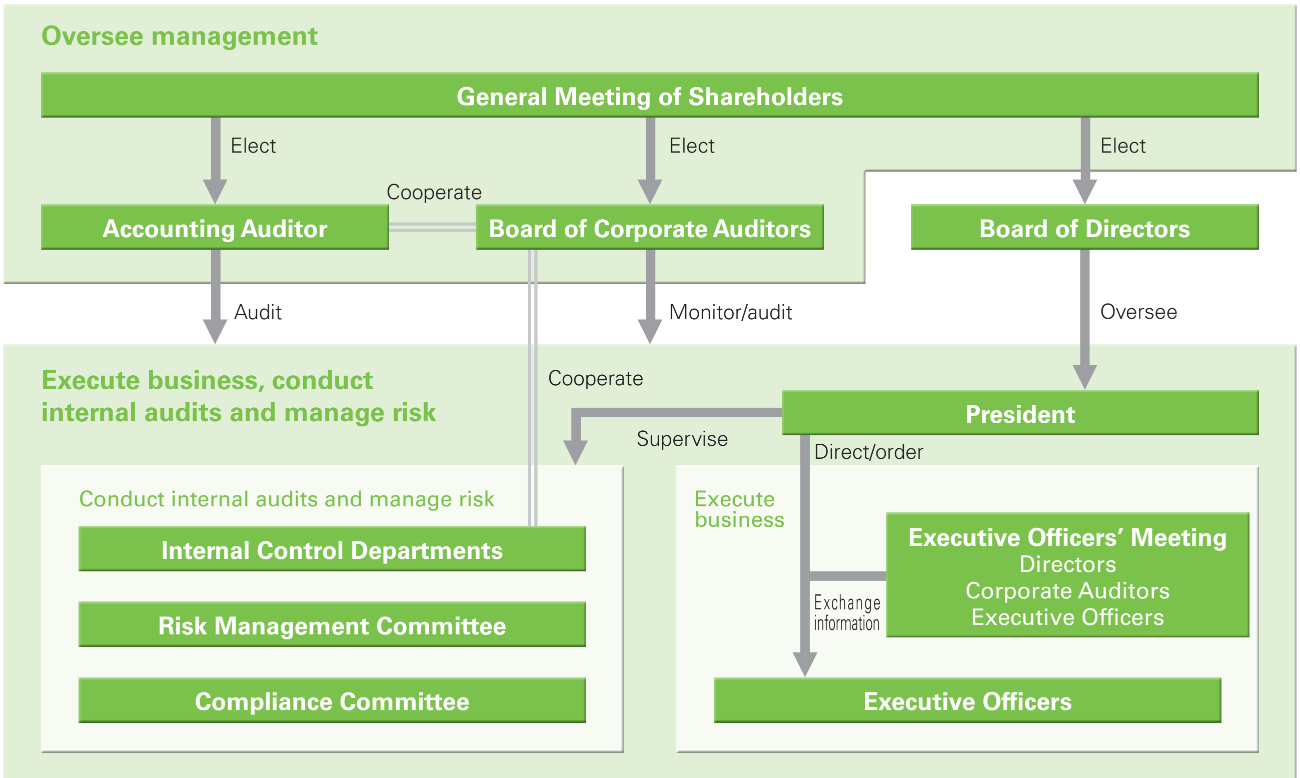
Accounting Audits

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 27, 2013)

Board of Directors

Chairman of the Board of Directors
Tomitaro Ogawa*

President
Shigeru Hayashi*

Directors
Tamotsu Yahata*
Kiyohiko Nakae**
Tsuneo Terasawa
Shinichiro Ito
Shigeki Muto
Kazuhisa Hirano
Noboru Yamawaki

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
Shigeki Muto

Managing Executive Officers
Kazuhisa Hirano
Noboru Yamawaki
Koichiro Sekine
Kazuhiko Fujiwara
Masayuki Inagaki

Executive Officers
Tatsuo Yoshihara
Yukihiro Okabe
Sumitoshi Asakuma
Shintaro Ishiwata
Henny Van Dijk
Goichiro Kuwaki
Takashi Kobayashi
Atsushi Suzuki

Major Topics

Production plant to be newly constructed in China

The Company has decided to construct production plants for liquid epoxy resin and co-extruded multilayered sheets in China. Both plants are to be constructed on the premises of Sumitomo Bakelite (Nantong) Co., Ltd. in Nantong of Jiangsu Province, and are scheduled to start operations in fiscal 2014.

In 2009, Sumitomo Bakelite (Nantong) Co., Ltd. commenced operations as a production plant for phenolic resins for industrial use, and in 2012, a new plant for phenolic molding compounds was completed and began operations. The new plant will be the third construction on these premises.

Liquid epoxy resin is used in insulated encapsulation material for relays and sensors, and insulated filling material for ignition coils of automobiles. Co-extruded multilayer sheets are used extensively in industrial applications including release film for flexible printed circuit boards, as well as in food packaging applications such as packaging for hams and sausages.

Although both products are currently manufactured in Japan at the Shizuoka and Amagasaki Plants and exported to China, by constructing these plants and building a supply system based on the concept of local production for local consumption, the Group hopes to take in the growing demand in China.

Sumitomo Bakelite (Nantong) Co., Ltd.

Liquid epoxy resin

Co-extruded multilayered sheets

Commenced sales of glycan purification and labeling kit for human stem cell

In the NEDO Project: "Development of Key Evaluation Technologies for the Practical Use of Human Stem Cells", the Company, jointly with Kyoto University's Institute for Integrated Cell-Material Sciences (iCeMS), developed a technology to determine whether ES/iPS cells are in an anaplastic or differentiated state through glycan analysis, and based on the results of this research, commercialized and commenced sales of "BlotGlyco," the Glycan Purification and Labeling Kit for Human Stem Cell.

Previously glycan analysis had involved a complicated and particular type of analysis requiring dedicated equipment. However, by using this Kit, anybody can perform exhaustive purification and labeling of glycan of human stem cells simply and in a short period of time.

It is a well-known fact that the numerous unique glycans found on the surface of pluripotent stem cells undergo a drastic structural change once the pluripotent stem cells differentiate into other cells. As glycans serve as essential markers for distinguishing the properties of the cell, glycan analysis plays a crucial role in stem cell research, and this product is expected to promote even greater advances in this analysis.

Expectations are high for the application of ES/iPS cell research to regenerative medicine as well as its application to drug efficiency evaluations, which, in turn, would instigate advances in drug discovery. The Company believes that the development of glycan research will contribute to these fields.

Glycan Purification and Labeling Kit
for Human Stem Cell (BlotGlyco)

"Decola Innovair," the world's thinnest fireproof melamine resin decorative sheet

"Decola Innovair," the world's thinnest fireproof melamine resin decorative sheet with a thickness of 0.2mm, is a melamine resin decorative sheet used in the interiors of buildings, which maintains all the superb surface functions of conventional melamine resin decorative laminates such as scratch-resistance and soil-resistance. Furthermore, it also exhibits non-flammable properties on a stand-alone basis (Flame-retardant certification NM-3163, pursuant to the Building Standards Act).

"Decola," the Company's melamine resin decorative laminates, has been used extensively in the interiors of railway cars and has an impressive track-record for its toughness and durability. The "Decola Innovair" combines both the functions of the Decola and the tractability of sheet materials. It solves the problem of scratches on a building's common areas while also being inflammable, and thus allows for interiors with high quality and superb design.

"Decola Innovair," suitable for both new constructions and renovations, may be utilized in a broad range of applications including walls, fixtures and elevator interiors of offices, hospitals, and public and commercial facilities.

Decola Innovair


Hospital cafeteria


Elevator interior

Reinforcing global expansion of high-performance plastics business

Unveiling of the global brand, "SBHPP"

In April 2013, the global brand, "SBHPP" was established in the high-performance plastics business unit.

The high-performance plastics business unit, which handles phenolic resins, phenolic resin molding compounds, molded products, and printed circuit laminates, has 20 production bases across Japan, Europe, the U.S. and Asia.

The business segment has been developing a structure capable of offering products and services that utilizes its global network. The Company hopes that through its new global brand, "SBHPP," the cohesion between its Group companies will be strengthened and that the products and services of the Sumitomo Bakelite Group will be recognized the world over.

SBHPP is a combination of initials for Sumitomo Bakelite High Performance Plastics. The Company intends to promote this brand in every facet of the segment's businesses and engage in activities to raise its visibility among all parties who have a stake in the Group.

New sales base established in India

Companies, most notably automobile manufacturers, from around the world including Europe and Japan, have been vying for a piece of the Indian market, an emerging market that has been exhibiting phenomenal economic growth. While the Company had previously exported its products to India from Europe, North America and Asia, it established a sales subsidiary, SBE India Private Limited, in New Delhi in April 2013 in order to pursue market development in India whose growth potential is promising. As the sales base of the Group's products, SBE India Private Limited is expected to reinforce customer support, enhance marketing activities and gain a foothold for the establishment of a local supply system.

SBHPP logo

Production and sales bases of the high-performance plastics business

Five-Year Financial Summary

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries

	Millions of yen					Thousands of U.S. dollars
	FY2012 ended March 31, 2013	FY2011 ended March 31, 2012	FY2010 ended March 31, 2011	FY2009 ended March 31, 2010	FY2008 ended March 31, 2009	FY2012 ended March 31, 2013
For the year:						
Net sales	¥ 183,362	¥ 185,237	¥ 190,972	¥ 170,844	¥ 212,410	$1,948,596
Operating income (loss)	7,956	4,726	11,182	7,541	(1,639)	84,553
Income (loss) before income taxes and minority interests	6,532	3,689	8,322	4,014	(11,492)	69,423
Net income (loss)	3,443	2,525	5,154	3,306	(7,908)	36,591
Capital expenditures	17,588	14,566	10,656	9,261	13,568	186,911
Depreciation and amortization	10,393	10,466	11,014	11,968	13,056	110,453
Research and development expenses	12,325	13,048	12,441	12,568	13,079	130,978
Cash flows:						
Cash flows from operating activities	16,644	6,731	16,293	15,337	20,577	176,878
Cash flows from investing activities	(13,088)	(13,340)	(10,692)	(7,582)	(13,229)	(139,093)
Cash flows from financing activities	(642)	(3,942)	2,152	(13,927)	(5,839)	(6,829)
At year-end:						
Total assets	213,826	201,315	205,090	207,259	215,853	2,272,335
Net assets	131,311	119,023	122,025	128,574	125,604	1,395,442
Interest-bearing liabilities	29,553	27,433	27,659	22,510	32,722	314,067
Per-share data:	Yen					U.S. dollars
Net income (loss)	¥ 14.29	¥ 10.48	¥ 21.39	¥ 13.72	¥ (31.78)	$ 0.15
Net assets	539.81	489.78	501.95	528.96	516.97	5.73
Cash dividends	10.00	12.50	15.00	10.00	15.00	0.10
Financial indicators:	%					
ROE	2.8	2.1	4.2	2.6	(5.5)	
ROA	4.1	2.9	6.1	4.1	0.2	
Ratio of operating income (loss) to net sales	4.3	2.6	5.9	4.4	(0.8)	
Equity ratio	60.8	58.6	59.0	61.5	57.7	
Ratio of interest-bearing liabilities to total assets	13.8	13.6	13.5	10.9	15.2	
Debt-to-equity ratio	22.7	23.2	22.9	17.7	26.3	

Notes:
1. The U.S. dollar amounts are translated from yen, for the convenience of the readers, at the rate of ¥94.1 = US$1 on March 29, 2013.
2. Capital expenditures = Increase in property, plant and equipment and intangible assets
3. Net assets per share is based on net assets less minority interests
4. ROE = Net income / Average net assets less minority interests
5. ROA = Ordinary income / Average total assets
6. Equity ratio = Net assets less minority interests / Total assets
7. Debt-to-equity ratio = Interest-bearing liabilities / Net assets less minority interests
8. The closing date of all consolidated subsidiaries in Japan and Europe has been standardized as March 31. Accordingly, for those subsidiaries that have changed their closing dates, the financial results for 13, 14 or 15 months are consolidated for FY2012.

Consolidated Balance Sheets

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
as of March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	FY2012 as of March 31, 2013	FY2011 as of March 31, 2012	FY2012 as of March 31, 2013
Current assets:			
Cash and cash equivalents (Note 15)	¥ 31,778	¥ 26,834	$ 337,711
Trade notes and accounts receivable (Note 15):			
Notes (Note 4)	7,265	7,967	77,209
Accounts	33,407	34,342	355,024
Inventories (Note 5)	25,077	23,153	266,494
Deferred tax assets (Note 9)	3,335	4,315	35,449
Others	4,083	3,605	43,390
Provision for doubtful accounts (Note 15)	(70)	(63)	(746)
Total current assets	104,877	100,153	1,114,534
Property, plant and equipment (Note 12):			
Land	9,803	10,468	104,184
Buildings and structures	68,767	67,634	730,788
Machinery and equipment	123,751	116,515	1,315,106
Lease assets	103	77	1,101
Construction in progress	11,288	9,530	119,960
	213,714	204,224	2,271,142
Less accumulated depreciation	(133,428)	(129,478)	(1,417,940)
Net property, plant and equipment	80,286	74,746	853,201
Intangible assets:			
Goodwill	4,557	4,787	48,430
Others	1,523	1,556	16,188
Total intangible assets	6,080	6,343	64,618
Investments and other assets:			
Investment securities (Notes 6 and 15):			
Unconsolidated subsidiaries and affiliates	1,442	1,390	15,328
Others	16,166	13,293	171,805
Long-term loans receivable (Note 15):			
Unconsolidated subsidiaries and affiliates	2,971	3,487	31,573
Others	1,574	1,398	16,727
Deferred tax assets (Note 9)	1,248	1,313	13,264
Others	2,676	2,876	28,440
Provision for doubtful accounts (Note 15)	(3,496)	(3,684)	(37,161)
Total investments and other assets	22,582	20,073	239,980
Total assets	¥ 213,826	¥ 201,315	$ 2,272,335

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen FY2012 as of March 31, 2013	 FY2011 as of March 31, 2012	Thousands of U.S. dollars (Note 1) FY2012 as of March 31, 2013
Current liabilities:			
Short-term debt (Notes 7 and 15)	¥15,953	¥15,933	$169,540
Long-term debt due within one year (Note 7)	5,900	900	62,699
Trade notes and accounts payable (Note 15):			
Notes (Note 4)	4,138	4,173	43,979
Accounts	24,511	23,180	260,480
Accrued expenses	6,740	6,264	71,630
Income taxes payable	813	972	8,642
Provision for cost of business restructuring	207	2,199	2,201
Others	8,771	7,850	93,214
Total current liabilities	67,035	61,471	712,387
Long-term liabilities:			
Long-term debt (Notes 7 and 15)	7,700	10,600	81,827
Deferred tax liabilities (Note 9)	1,361	1,122	14,464
Retirement benefits:			
Employees (Note 8)	5,399	6,997	57,385
Directors, statutory auditors and officers	–	11	–
Provision for environmental measures	177	178	1,890
Provision for loss on business liquidation	–	165	–
Negative goodwill	52	209	556
Others	788	1,539	8,380
Total long-term liabilities	15,479	20,821	164,504
Net assets (Note 10):			
Shareholders' equity:			
Common stock:			
Authorized: 800,000,000 shares			
Issued :262,952,394 shares in FY2012 and FY2011	37,143	37,143	394,719
Capital surplus	35,358	35,358	375,752
Retained earnings	79,085	78,051	840,439
Treasury stock, at cost			
22,042,713 shares in FY 2012 and			
22,034,107 shares in FY 2011	(11,932)	(11,931)	(126,809)
Total shareholders' equity	139,654	138,621	1,484,102
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	4,226	2,171	44,914
Foreign currency translation adjustments	(12,672)	(20,850)	(134,670)
Postretirement liability adjustments for foreign			
consolidated subsidiaries	(1,163)	(1,945)	(12,359)
Total accumulated other comprehensive income	(9,609)	(20,624)	(102,115)
Minority interests	1,266	1,026	13,456
Total net assets	131,311	119,023	1,395,442
Total liabilities and net assets	¥213,826	¥201,315	$2,272,335

Consolidated Statements of Income

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2012 ended March 31, 2013	FY2011 ended March 31, 2012	FY2012 ended March 31, 2013
Net sales (Note 18)	¥183,362	¥185,237	$1,948,596
Cost of sales	131,528	135,141	1,397,749
Selling, general and administrative expenses	43,878	45,370	466,293
Operating income (Note 18)	7,956	4,726	84,553
Other income (expense):			
Interest and dividend income	458	653	4,867
Interest expense	(322)	(328)	(3,423)
Amortization of negative goodwill (Note 18)	156	582	1,664
Equity in earnings (losses) of affiliates	(151)	10	(1,609)
Foreign exchange gain, net	443	398	4,717
Gain (loss) on sale or disposal of property, plant and equipment	(172)	311	(1,836)
Loss on devaluation of investment securities (Note 6)	(163)	(588)	(1,732)
Cost of business restructuring (Note 11)	(291)	(2,218)	(3,095)
Impairment loss (Note 12)	(881)	(122)	(9,366)
Settlement (Note 13)	(35)	(681)	(382)
Gain on sales of subsidiaries and affiliates' stocks	–	373	–
Insurance income	71	343	763
Reversal of provision for retirement benefits	21	303	227
Reversal of provision for loss on disaster	–	208	–
Environmental expense	(438)	–	(4,664)
Others, net	(118)	(281)	(1,259)
	(1,423)	(1,037)	(15,130)
Income before income taxes and minority interests	6,532	3,689	69,423
Income taxes (Note 9):			
Current	2,066	1,658	21,965
Deferred	823	(633)	8,750
	2,890	1,025	30,716
Income before minority interests	3,642	2,664	38,707
Minority interests	199	139	2,115
Net income	¥3,443	¥2,525	$36,591

	Yen		U.S. dollars (Note1)
Amounts per share of common stock (Note 17):			
Net income	¥14.29	¥10.48	$0.15
Diluted net income	–	–	–
Cash dividends applicable to the year	¥10.00	¥12.50	$0.10

See accompanying notes.

Consolidated Statements of Comprehensive Income

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2012 ended March 31, 2013	FY2011 ended March 31, 2012	FY2012 ended March 31, 2013
Income before minority interests	¥ 3,642	¥ 2,664	$ 38,707
Other comprehensive income (Note 14)			
Valuation difference on available-for-sale securities	2,055	884	21,842
Foreign currency translation adjustments	8,360	(2,358)	88,846
Postretirement liability adjustments for foreign consolidated subsidiaries	782	(446)	8,317
Share of other comprehensive income of associates accounted for using the equity method	5	(7)	62
Total other comprehensive income	11,204	(1,927)	119,069
Comprehensive income	¥14,846	¥737	$157,776
Comprehensive income attributable to:			
Owners of the parent	¥ 14,459	¥ 683	$ 153,657
Minority interests	387	54	4,119

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

		Millions of yen								
	Shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Postretirement liability adjustments for foreign consolidated subsidiaries	Minority interests	Total net assets
Balance at April 1, 2011	262,952	¥37,143	¥35,358	¥79,140	¥(11,926)	¥1,287	¥(18,570)	¥(1,499)	¥1,092	¥122,025
Net income	–	–	–	2,525	–	–	–	–	–	2,525
Valuation difference arising during the year	–	–	–	–	–	884	–	–	–	884
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	(2,280)	–	–	(2,280)
Postretirement liability adjustments for foreign consolidated subsidiaries	–	–	–	–	–	–	–	(446)	–	(446)
Purchase of treasury stock	–	–	–	–	(6)	–	–	–	–	(6)
Cash dividends paid (¥15 per share)	–	–	–	(3,614)	–	–	–	–	–	(3,614)
Disposal of treasury stock	–	–	–	(0)	1	–	–	–	–	1
Increase (decrease) in minority interests	–	–	–	–	–	–	–	–	(66)	(66)
Balance at April 1, 2012	262,952	¥37,143	¥35,358	¥78,051	¥(11,931)	¥2,171	¥(20,850)	¥(1,945)	¥1,026	¥119,023
Net income	–	–	–	3,443	–	–	–	–	–	3,443
Valuation difference arising during the year	–	–	–	–	–	2,055	–	–	–	2,055
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	8,177	–	–	8,177
Postretirement liability adjustments for foreign consolidated subsidiaries	–	–	–	–	–	–	–	782	–	782
Purchase of treasury stock	–	–	–	–	(3)	–	–	–	–	(3)
Cash dividends paid (¥10 per share)	–	–	–	(2,409)	–	–	–	–	–	(2,409)
Disposal of treasury stock	–	–	–	(0)	1	–	–	–	–	0
Increase (decrease) in minority interests	–	–	–	–	–	–	–	–	240	240
Balance at March 31, 2013	262,952	¥37,143	¥35,358	¥79,085	¥(11,932)	¥4,226	¥(12,672)	¥(1,163)	¥1,266	¥131,311

		Thousands of U.S. dollars (Note 1)								
	Shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Postretirement liability adjustments for foreign consolidated subsidiaries	Minority interests	Total net assets
Balance at April 1, 2012	262,952	$394,719	$375,752	$829,454	$(126,783)	$23,071	$(221,575)	$(20,677)	$10,902	$1,264,864
Net income	–	–	–	36,591			–	–	–	36,591
Valuation difference arising during the year	–	–	–	–	–	21,842	–	–	–	21,842
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	86,905	–	–	86,905
Postretirement liability adjustments for foreign consolidated subsidiaries	–	–	–	–	–	–	–	8,317	–	8,317
Purchase of treasury stock	–	–	–	–	(38)	–	–	–	–	(38)
Cash dividends paid ($0.10 per share)	–	–	–	(25,602)	–	–	–	–	–	(25,602)
Disposal of treasury stock	–	–	–	(4)	12	–	–	–	–	8
Increase (decrease) in minority interests	–	–	–	–	–	–	–	–	2,554	2,554
Balance at March 31, 2013	262,952	$394,719	$375,752	$840,439	$(126,809)	$44,914	$(134,670)	$(12,359)	$13,456	$1,395,442

See accompanying notes.

Consolidated Statements of Cash Flows

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2012 ended March 31, 2013	FY2011 ended March 31, 2012	FY2012 ended March 31, 2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥6,532	¥3,689	$69,423
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	10,393	10,466	110,453
Impairment loss	881	122	9,366
Increase (decrease) in employee's retirement benefits	(2,144)	(83)	(22,792)
(Gain) loss on sale or disposal of property, plant and equipment	172	(311)	1,836
Interest and dividend income	(458)	(653)	(4,867)
Interest expense	322	328	3,423
(Gain) loss on devaluation of investment securities	163	587	1,732
Cost of business restructuring	378	2,161	4,024
Loss on disaster	–	(686)	–
(Increase) decrease in notes and accounts receivable	2,810	(2,471)	29,863
(Increase) decrease in inventories	(887)	(2,834)	(9,429)
(Increase) decrease in other current assets	(972)	(377)	(10,331)
Increase (decrease) in notes and accounts payable	691	(1,051)	7,350
Increase (decrease) in other current liabilities	337	46	3,591
Others, net	17	(740)	184
Subtotal	18,239	8,193	193,829
Interest and dividends received	464	653	4,931
Interest paid	(289)	(331)	(3,079)
Income taxes paid	(1,769)	(1,784)	(18,803)
Net cash provided by operating activities	16,644	6,731	176,878
Cash flows from investing activities:			
Purchases of property, plant and equipment	(15,176)	(12,652)	(161,282)
Proceeds from sale of property, plant and equipment	1,003	746	10,669
Purchases of investment securities	(25)	(1,581)	(268)
Proceeds from equity transfer of subsidiary resulting in a change in scope of consolidation	755	–	8,032
Others, net	353	147	3,755
Net cash used in investing activities	(13,088)	(13,340)	(139,093)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	(101)	727	(1,075)
Proceeds from long-term debt	3,000	–	31,880
Repayment of long-term debt	(900)	(900)	(9,564)
Cash dividends paid	(2,409)	(3,614)	(25,602)
Cash dividends paid to minority shareholders	(147)	(120)	(1,565)
Others, net	(85)	(35)	(903)
Net cash used in financing activities	(642)	(3,942)	(6,829)
Effect of exchange rate changes on cash and cash equivalents	2,031	(449)	21,590
Net increase (decrease) in cash and cash equivalents	4,944	(11,000)	52,546
Cash and cash equivalents at beginning of year	26,834	37,834	285,164
Cash and cash equivalents at end of year	¥31,778	¥26,834	$337,711

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 and is one of the affiliates of Sumitomo Chemical Co., Ltd. which directly owns 19.98% (as of March 31, 2013) of the Company's shares. The accompanying consolidated financial statements of the Company and its consolidated subsidiaries (collectively the "Companies") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. 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 conformity with International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English from 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 Act. Some supplementary information included in the statutory Japanese consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

As permitted by the Financial Instruments and Exchange Act, amounts of less than one million yen have been omitted for the year ended March 31, 2013. Consequently, totals shown in the accompanying consolidated financial statements for the year ended March 31, 2013 do not necessarily agree with the sums of the individual amounts.

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 outside Japan, using the prevailing exchange rate as of March 29, 2013, which was ¥94.1 to US$1. For translation of millions of Japanese yen to thousands of U.S. dollars, amounts of less than one thousand dollar have been omitted for the year ended March 31, 2013. Such 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 33 and 34 significant subsidiaries for the years ended March 31, 2013 and 2012, respectively. All significant intercompany balances and transactions have been eliminated in consolidation. Overseas subsidiaries except N.V. Sumitomo Bakelite Europe S.A., Vyncolit N.V. and Sumitomo Bakelite Europe (Barcelona), S.L.U. are consolidated with year-ends that differ from that of the Company. However, necessary adjustments have been made if the effect of the differences is material.

Certain 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 is immaterial.

Investments in significant affiliates (2 affiliates in 2013 and 2012, generally 20% – 50% owned) which the Company has the ability to exercise significant influence over operating and financial policies are accounted for by the equity method.

The investments in unconsolidated subsidiaries and certain affiliates 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 consolidated 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 over the respective subsidiaries.

Differences between the acquisition costs and the underlying net assets of investments in consolidated subsidiaries and affiliates accounted for by the equity method at the date of acquisition are charged (or credited) 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. Negative goodwill incurred before March 31, 2010 is amortized on a straight-line basis over five years.

(Significant changes in scope of consolidation)

As a result of the transfer of all equity interests held by the Company on September 28, 2012, Sumitomo Bakelite Vietnam Co., Ltd., a former consolidated subsidiary, has been excluded from the scope of consolidation from the end of second quarter for the fiscal year ended March 31, 2013.

(Change in accounting period for consolidated subsidiaries)

N.V. Sumitomo Bakelite Europe S.A., Vyncolit N.V., Sumitomo Bakelite Europe (Barcelona), S.L.U., Thanxs Trading Co., Ltd., Softec Co., Ltd. and S.B. Research Co., Ltd. changed its fiscal year end date to March 31.

Accordingly, the accounting period for N.V. Sumitomo Bakelite Europe S.A., Vyncolit N.V. and Sumitomo Bakelite Europe (Barcelona), S.L.U. for this fiscal year was 15 months from January 1, 2012 to March 31, 2013. The accounting period for Thanxs Trading Co., Ltd. for this fiscal year was 14 months from February 1, 2012 to March 31, 2013. The accounting period for Softec Co., Ltd. for this fiscal year was 13 months from March 1, 2012 to March 31, 2013.

As a result, net sales, operating income, income before income taxes and minority interests and net income increased by approximately ¥4,468 million($47,490 thousand), ¥235 million($2,500 thousand), ¥212 million($2,254 thousand), and ¥88 million($943 thousand), respectively.

The accounting period for S.B. Research Co., Ltd. for this fiscal year was 12 months from April 1, 2012 to March 31, 2013 because S.B. Research Co., Ltd. had been consolidated based on the provisional settlement of accounts.

Securities

Available-for-sale securities with available fair values are stated at fair value. Unrealized gains or unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of net assets via the consolidated statements of comprehensive income. Other available-for-sale securities with no available fair values are stated at moving-average cost.

Derivatives and hedge accounting

(1) Derivative and hedge accounting method

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 forward foreign exchange contracts meet specific hedging criteria, the hedged foreign currency receivables are translated at the corresponding forward foreign exchange contract rate.
2. 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 carrying amounts 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.
3. 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.
4. If interest rate swap contracts are used as hedges and meet certain hedging criteria, interest rate swaps are not remeasured at market value, and the net amount to be paid or received under the interest rate swap contracts is added to or deducted from the interests on the assets or liabilities for which the interest rate swap contracts were executed (special treatment).

(2) Hedging instruments and targets

The Companies use foreign exchange contracts to hedge foreign currency risk for receivables and payables denominated in foreign currencies and future transactions denominated in foreign currencies. The Companies similarly use interest rate swaps to hedge the interest rate risk for long-term debt.

(3) Hedging policy

The Companies maintain a policy of limiting the use of derivative transactions to actual demand and do not engage in such transactions for speculative purposes.

(4) Method of assessing hedge effectiveness

The Companies have confirmed that 1) the hedging instruments and targets can offset the effects of fluctuations and 2) these interrelations are continuously present after implementing hedges.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, readily-available deposits and short-term highly liquid investments with maturities not exceeding three months at the time of purchase.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally by the weighted average method for merchandise, finished goods, semi-finished goods, work in process and raw materials, and by the gross average method for supplies.

Property, plant and equipment (excluding leases)

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, the depreciation limit amounts 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 the estimated useful lives.

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

In accordance with the amendment of the Corporation Tax Act, effective from the beginning of the fiscal year ended March 31, 2013, the Company and certain consolidated domestic subsidiaries have changed their depreciation method for the property, plant and equipment acquired on or after April 1, 2012. This accounting change had an immaterial impact on the consolidated statements of income.

Intangible assets (excluding leases)

Intangible assets are amortized using the straight-line method. Software for internal use is amortized over its estimated useful life (five years).

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 by the accounting standard for leases, 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.

Provision for doubtful accounts

The provision 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.

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.

Retirement benefits

The Company and certain consolidated domestic subsidiaries provide two types of defined 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. In certain circumstances, employees are entitled to receive additional payments when they leave the company before retirement age. Certain consolidated overseas subsidiaries adopt both defined contribution pension plans and defined benefit pension plans. In addition, the Company has established a retirement benefit trust.

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. Prior service costs and actuarial gains or losses are mainly recognized in the consolidated statements of income when they are incurred.

Provision for environmental measures

The provision for environmental measures is stated at amounts based on the estimated cost required at the end of the fiscal year for the waste disposal of Polychlorinated Biphenyls (PCBs) in accordance with the "PCB Special Measures Law".

Research and development

Research and development expenses are charged to income when incurred. The amounts for the years ended March 31, 2013 and 2012 were ¥12,325 million ($130,978 thousand) and ¥13,048 million, respectively.

Environmental expense

Environmental expense is cost for soil contamination counter measures for the vacant lot of the fundamental research laboratory.

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 pre-tax 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.

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.

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

Consumption taxes

With respect to the Companies, consumption taxes are accounted for with the tax exclusion method.

3. Supplemental information

Unapplied accounting standards

"Accounting Standard for Retirement Benefits" (the Accounting Standards Board of Japan (hereinafter "ASBJ") Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012)

(1) Overview

The accounting standard for retirement benefits has been revised from the viewpoint of improvements to financial reporting and international convergence, mainly focusing on: (a) how unrealized actual differences and prior service costs should be accounted for: (b) how project benefit obligations and service costs should be determined; and (c) enhancement of disclosures.

(2)Date of adoption

The Company and certain consolidated subsidiaries will adopt the accounting standards effective from the fiscal year ending March 31, 2014. However, the Company and its consolidated subsidiaries will adopt the amendments to the method for calculating projected benefit obligation and service costs from the beginning of the fiscal year ending March 31, 2015.

(3)The effect of adopting the accounting standards

The effect of adopting these accounting standards is currently under evaluation.

4. Notes due at the end of the fiscal year

Matured notes are settled on the date of clearing.

As the end of the fiscal year fell on a bank holiday, the following notes due at the end of the fiscal year are included in the balance at the end of the fiscal year.

	Millions of yen		Thousands of U.S. dollars
	FY2012 as of March 31, 2013	FY2011 as of March 31, 2012	FY2012 as of March 31, 2013
Notes receivable	¥ 1,036	¥ 1,054	$ 11,009
Notes payable	752	716	8,001

5. Inventories

Inventories as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2012 as of March 31, 2013	FY2011 as of March 31, 2012	FY2012 as of March 31, 2013
Merchandise and finished goods	¥ 10,950	¥ 9,843	$ 116,374
Semi-finished goods	3,107	2,691	33,024
Work in process	559	687	5,941
Raw materials and supplies	10,459	9,932	111,153
Total	¥ 25,077	¥23,153	$266,494

The amounts of write-down charged to cost of sales due to the decline in profitability of inventories held in the normal course of business were ¥28 million ($301 thousand) and ¥40 million for the years ended March 31, 2013 and 2012, respectively.

6. Investment securities

(1) The following tables summarized carrying amounts and acquisition costs of available-for-sale securities with available fair values as of March 31, 2013 and 2012:

	Millions of yen		
As of March 31, 2013	Carrying amount	Acquisition cost	Difference
Securities with carrying amounts exceeding acquisition costs:			
Equity securities	¥ 14,323	¥ 7,909	¥ 6,414
Debt securities	–	–	–
Others	–	–	–
Subtotal	14,323	7,909	6,414
Securities with carrying amounts not exceeding acquisition costs:			
Equity securities	¥ 1,088	¥ 1,150	¥ (61)
Debt securities	–	–	–
Others	–	–	–
Subtotal	1,088	1,150	(61)
Total	¥ 15,411	¥ 9,059	¥ 6,352

	Millions of yen		
As of March 31, 2012	Carrying amount	Acquisition cost	Difference
Securities with carrying amounts exceeding acquisition costs:			
Equity securities	¥ 9,492	¥ 5,815	¥ 3,677
Debt securities	–	–	–
Others	–	–	–
Subtotal	9,492	5,815	3,677
Securities with carrying amounts not exceeding acquisition costs:			
Equity securities	¥ 3,049	¥ 3,392	¥ (343)
Debt securities	–	–	–
Others	–	–	–
Subtotal	3,049	3,392	(343)
Total	¥ 12,541	¥ 9,207	¥ 3,334

As of March 31, 2013	Thousands of U.S. dollars Carrying amount	 Acquisition cost	 Difference
Securities with carrying amounts exceeding acquisition costs:			
Equity securities	$152,217	$ 84,051	$ 68,166
Debt securities	–	–	–
Others	–	–	–
Subtotal	152,217	84,051	68,166
Securities with carrying amounts not exceeding acquisition costs:			
Equity securities	$ 11,565	$ 12,222	$ (656)
Debt securities	–	–	–
Others	–	–	–
Subtotal	11,565	12,222	(656)
Total	$163,783	$ 96,273	$ 67,509

The Companies recognize impairment losses 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 losses were ¥163 million ($1,732 thousand) and ¥587 million for the years ended March 31, 2013 and 2012, respectively. As impairment losses were recognized in the consolidated 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 for the years ended March 31, 2013 and 2012 were as follows:
Not applicable.

7. Short-term debt and long-term debt

Short-term debt as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2012 as of March 31, 2013	FY2011 as of March 31, 2012	FY2012 as of March 31, 2013
Short-term bank loans	¥ 3,953	¥ 3,933	$ 42,016
Commercial paper	12,000	12,000	127,523
Total	¥ 15,953	¥ 15,933	$169,540

Annual average interest rates on short-term bank loans for the years ended March 31, 2013 and 2012 were 0.7%. Annual average interest rates on commercial paper for the years ended March 31, 2013 and 2012 were 0.1%.

Long-term debt as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2012 as of March 31, 2013	FY2011 as of March 31, 2012	FY2012 as of March 31, 2013
Unsecured loans from banks due through 2018	¥ 13,600	¥ 11,500	$144,527
Less amounts due within one year	(5,900)	(900)	(62,699)
Total	¥ 7,700	¥ 10,600	$ 81,827

Annual average interest rates on unsecured loans from banks (excluding amounts due within one year) for the years ended March 31, 2013 and 2012 were 1.2% and 1.7%, respectively. Annual average interest rates on amounts due within one year of unsecured loans from banks for the years ended March 31, 2013 and 2012 were 1.7%.

The annual maturities of long-term debt as of March 31, 2013 were as follows:

	Millions of yen	Thousands of U.S. dollars
FY 2013 ending March 31, 2014	¥ 5,900	$ 62,699
FY 2014 ending March 31, 2015	1,400	14,877
FY 2015 ending March 31, 2016	3,300	35,069
FY 2016 ending March 31, 2017	–	–
FY 2017 ending March 31, 2018	3,000	31,880
FY 2018 ending March 31, 2019 and thereafter	–	–
Total	¥ 13,600	$144,527

8. Retirement benefits

As explained in Note 2 (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, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2012 as of March 31, 2013	FY2011 as of March 31, 2012	FY2012 as of March 31, 2013
Projected benefit obligation	¥ 29,052	¥ 27,597	$308,744
Less fair value of plan assets	(23,820)	(20,559)	(253,136)
Less unrecognized actuarial differences	(39)	(41)	(416)
Unrecognized prior service costs	(29)	(2)	(313)
Prepaid pension cost	235	2	2,506
Employees' retirement benefits	¥ 5,399	¥ 6,997	$ 57,385

Severance and retirement benefit expenses, included in the consolidated statements of income for the years ended March 31, 2013 and 2012 were composed of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2012 ended March 31, 2013	FY2011 ended March 31, 2012	FY2012 ended March 31, 2013
Service costs-benefits earned during the year	¥ 1,130	¥ 1,060	$ 12,010
Interest cost on projected benefit obligation	610	795	6,487
Expected return on plan assets	(436)	(471)	(4,636)
Amortization of actuarial differences	(603)	1,317	(6,415)
Amortization of prior service costs	(93)	(64)	(990)
Severance and retirement benefit expenses	¥ 607	¥ 2,637	$ 6,454

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

	FY2012 ended March 31, 2013	FY2011 ended March 31, 2012
Discount rates:		
Domestic companies	1.41%	1.85%
Overseas companies	3.7	4.1
Expected return on plan assets	2.02%	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 consolidated statements of income when they are determined actuarially.

9. Income taxes

The Companies are subject to several taxes based on income, which are corporation tax, inhabitant tax and enterprise tax.

The aggregate statutory tax rate on income before income taxes was approximately 38.0% and 40.6% for the years ended March 31, 2013 and 2012, respectively.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2012 as of March 31, 2013	FY2011 as of March 31, 2012	FY2012 as of March 31, 2013
Deferred tax assets:			
Tax loss carry forwards	¥ 5,345	¥ 3,298	$ 56,810
Employees' retirement benefits	2,809	2,910	29,858
Excess depreciation in overseas subsidiaries	1,944	2,058	20,664
Tax credit	1,766	1,852	18,774
Provision for doubtful accounts	1,366	1,350	14,520
Taxable retained income of certain overseas subsidiaries	948	869	10,084
Excess bonuses accrued	910	877	9,673
Impairment loss	697	318	7,412
Accrued expenses	518	386	5,506
Provision for cost of business restructuring	10	2,443	115
Others	1,916	1,799	20,369
Subtotal	18,235	18,160	193,791
Valuation allowance	(6,243)	(6,228)	(66,350)
Total deferred tax assets	11,992	11,932	127,441
Deferred tax liabilities:			
Additional depreciation in overseas subsidiaries	(2,683)	(2,289)	(28,517)
Valuation difference on available-for-sale securities	(2,114)	(1,145)	(22,471)
Deferred gains on property, plant and equipment	(1,714)	(1,786)	(18,217)
Gain on securities contributed to employees' retirement benefit trust	(1,046)	(1,046)	(11,117)
Others	(1,210)	(1,160)	(12,867)
Total deferred tax liabilities	(8,769)	(7,426)	(93,191)
Net deferred tax assets	¥ 3,222	¥ 4,506	$ 34,249

The reconciliation between the applicable income tax rate in Japan and the Companies' average income tax rate in the consolidated statement of income for the years ended March 31, 2013 and 2012 were as follows:

	FY2012 ended March 31, 2013	FY2011 ended March 31, 2012
The applicable income tax rate in Japan	38.0%	40.6%
Permanently non-deductible expenses	1.6	3.7
Retained earnings of overseas subsidiaries	0.3	10.7
Change in valuation allowance	11.6	2.0
Effect of differences between tax rates in Japan and in other countries	(12.6)	(45.4)
Others, net	5.3	2.9
Effect of tax system revisions	–	13.3
The Companies' average effective income tax rate	44.2%	27.8%

10. Net assets

Under the Companies Act, 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 Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital, depending on the equity account charged upon payment of such dividends, until the aggregate amount of additional paid-in capital and legal reserve equals 25% of common stock. Under the Companies Act, the aggregate amount of additional paid-in capital and legal reserve that exceeds 25% of common stock may be made available for dividends by resolution of the shareholders. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of the threshold. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

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 27, 2013, the shareholders resolved to distribute cash dividends amounting to ¥1,204 million ($12,800 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2013. Such appropriations are recognized in the period in which they were resolved.

The Company' s capital stock consists of only common stock.

The changes in the number of outstanding common stock and treasury stock during the years ended March 31, 2013 and 2012 are as follows:

	Number of shares			
	April 1, 2012	Increase	Decrease	March 31, 2013
Outstanding shares issued:				
Common stock	262,952,394	–	–	262,952,394
Treasury stock	22,034,107	10,804	2,198	22,042,713

	Number of shares			
	April 1, 2011	Increase	Decrease	March 31, 2012
Outstanding shares issued:				
Common stock	262,952,394	–	–	262,952,394
Treasury stock	22,024,150	11,807	1,850	22,034,107

Notes:

1. Increase in treasury stock is due to purchase of shares less than one unit.
2. Decrease in treasury stock is due to sales of shares less than one unit.

The Company paid the following cash dividends during the years ended March 31, 2013 and 2012:

Year ended March 31, 2013

Cash dividends approved at the shareholders' meeting held on June 28, 2012:	Total amount (Millions of yen) (Thousands of U.S. dollars)	Per share amount (Yen) (U.S. dollars)	Dividend record date	Effective date
Common stock	¥ 1,204 $ 12,801	¥ 5.00 $ 0.05	March 31, 2012	June 29, 2012

Cash dividends approved at the Board of Directors' meeting held on October 31, 2012:	Total amount (Millions of yen) (Thousands of U.S. dollars)	Per share amount (Yen) (U.S. dollars)	Dividend record date	Effective date
Common stock	¥ 1,204 $ 12,800	¥ 5.00 $ 0.05	September 30, 2012	December 3, 2012

Year ended March 31, 2012

Cash dividends approved at the shareholders' meeting held on June 29, 2011:	Total amount (Millions of yen)	Per share amount (Yen)	Dividend record date	Effective date
Common stock	¥ 1,807	¥ 7.50	March 31, 2011	June 30, 2011

Cash dividends approved at the Board of Directors' meeting held on October 31, 2011:	Total amount (Millions of yen)	Per share amount (Yen)	Dividend record date	Effective date
Common stock	¥ 1,807	¥ 7.50	September 30, 2011	December 2, 2011

11. Cost of business restructuring

The cost of business restructuring for the years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2012 ended March 31, 2013	FY2011 ended March 31, 2012	FY2012 ended March 31, 2013
Cost of carrier tape business restructuring	¥ 222	¥ –	$ 2,359
Loss on withdrawal of flexible printed circuit board business	59	1,840	636
Cost of centralizing carrier tape manufacturing bases	–	293	–
Cost of transferring laboratory	26	72	285
Others	(17)	13	(186)
Total	¥ 291	¥ 2,218	$ 3,095

12. Impairment loss

The Companies categorized assets for business use by business segment. Idle assets were categorized by individual property.

The Companies recognized the following impairment losses on dormant fixed assets with no further potential for business use for the years ended March 31, 2013 and 2012:

The carrying amounts of idle land in Akita that had significantly declined in market value were written down to the recoverable amount in the years ended March 31, 2013 and 2012. In this case, the recoverable amount was measured at net selling price, calculated using the assessed property tax valuation with reasonable adjustments.

The carrying amounts of idle land in Ibaraki that had significantly declined in market value were written down to the recoverable amount in the year ended March 31, 2013. In this case, the recoverable amount was measured at net selling price, calculated using the assessed property tax valuation with reasonable adjustments.

The carrying amounts of a part of a building and other assets in Shizuoka that had uncertain prospects for future utilization were written down to the recoverable amount. In this case, the recoverable amount was measured at net selling prices, estimated at zero for the year ended March 31, 2013.

The carrying amounts of some machinery and equipment in China that had uncertain prospects for future utilization were written down to the recoverable amount. In this case, the recoverable amount was measured at net selling prices, estimated at zero for the year ended March 31, 2013.

Impairment losses for the years ended March 31, 2013 and 2012 were as follows:

			Millions of yen		Thousands of U.S. dollars
Use	Location	Type of assets	FY2012 ended March 31, 2013	FY2011 ended March 31, 2012	FY2012 ended March 31, 2013
Idle assets	Akita, Akita	Land	¥ 471	¥ 122	$ 5,012
	Inashiki, Ibaraki	Land	121	–	1,289
Business-use assets	Fujieda, Shizuoka	Building etc.	282	–	3,005
	China	Machinery and equipment	5	–	58
Total			¥ 881	¥ 122	$ 9,366

13. Settlement

Settlement for the years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2012 ended March 31, 2013	FY2011 ended March 31, 2012	FY2012 ended March 31, 2013
Compensation payment of claim	¥ –	¥ 374	$ –
Compensation for damage	–	129	–
Settlement package	30	111	319
Attorney's fee	5	67	62
Total	¥ 35	¥ 681	$ 382

14. Other comprehensive income

Reclassification adjustments and tax effect amounts of other comprehensive income for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2012 ended March 31, 2013	FY2011 ended March 31, 2012	FY2012 ended March 31, 2013
Valuation difference on available-for-sale securities			
Amount for the year	¥ 2,861	¥ 636	$ 30,414
Reclassification adjustment	163	587	1,732
Amount before tax effect adjustment	3,025	1,223	32,146
Tax effect amount	(969)	(339)	(10,304)
Valuation difference on available-for-sale securities	2,055	884	21,842
Foreign currency translation adjustments			
Amount for the year	7,853	(2,336)	83,459
Reclassification adjustment	342	–	3,637
Amount before tax effect	8,195	(2,336)	87,096
Tax effect amount	164	(22)	1,749
Foreign currency translation adjustment	8,360	(2,358)	88,846
Postretirement liability adjustments for foreign consolidated subsidiaries			
Amount for the year	(42)	(1,219)	(450)
Reclassification adjustment	278	679	2,955
Amount before tax effect	235	(540)	2,505
Tax effect amount	546	94	5,811
Postretirement liability adjustments for foreign consolidated subsidiaries	782	(446)	8,317
Share of other comprehensive income of associates accounted for using the equity method			
Amount for the year	5	(7)	62
Total other comprehensive income	¥ 11,204	¥ (1,927)	$119,069

15. Financial instruments and related disclosures

The information about financial instruments and related disclosures for the years ended March 31, 2013 and 2012 was as follows:

(1) Status of financial instruments

The Companies confine cash management to investing in short-term deposits and procure funds through bank loans and corporate bond issuance (including commercial paper). 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 notes and accounts receivable 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 counterparty's financial situation. Trade notes and accounts receivable denominated in foreign currencies expose the Companies to exchange rate risks. The Company and some consolidated subsidiaries categorize trade notes and accounts receivable 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 affiliates.

Trade notes and accounts payable are primarily short-term liabilities due within one year. Some trade notes and accounts payable that arise from the procurement of raw materials are denominated in foreign currencies, exposing the Companies to foreign exchange risk. The balances of trade notes and accounts payable in a foreign currency are basically at a level which does not exceed the balances of trade notes and accounts receivable in the same currency.

Short-term debt, consisting of short-term loans payable and commercial paper, is incurred primarily for operating transactions. Long-term debt is primarily for investments in facilities. Some long-term debts are subject to interest rate fluctuation risk. The Companies hedge the risk of interest rates rising using interest rate swaps within a limited range. The Companies borrow long-term funds with fixed interest rates to hedge the risk of interest rate fluctuations.

In accordance with the internal regulations, the Companies utilize derivative financial instruments to reduce the interest rate fluctuation risk in long-term debt and the market risk of fluctuations in foreign currency exchange rates on assets and liabilities. To further reduce associated credit risk, the Companies contract only with highly-rated financial institutions when utilizing derivative contracts. Please see Note 2 (Derivatives and hedge accounting) for more details regarding derivatives.

The Companies manage liquidity risk in relation to trade notes and accounts payable 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, 2013	Carrying amount	Fair value	Difference
Cash and cash equivalents	¥ 31,778	¥ 31,778	¥ –
Trade notes and accounts receivable:			
Notes	7,265	7,265	–
Accounts	33,407	33,407	–
Investment securities	15,411	15,411	–
Long-term loans receivable	4,545		
Provision for doubtful accounts (Note 1)	(2,907)		
	1,637	1,648	10
Total assets	¥ 89,501	¥ 89,511	¥ 10
Trade notes and accounts payable:			
Notes	¥ 4,138	¥ 4,138	¥ –
Accounts	24,511	24,511	–
Short-term debt and long-term debt due within one year	21,853	21,853	–
Long-term debt	7,700	7,733	33
Total liabilities	¥ 58,203	¥ 58,236	¥ 33
Derivative financial instruments	19	19	–

	Millions of yen		
As of March 31, 2012	Carrying amount	Fair value	Difference
Cash and cash equivalents	¥ 26,834	¥ 26,834	¥ –
Trade notes and accounts receivable:			
Notes	7,967	7,967	–
Accounts	34,342	34,342	–
Investment securities	12,541	12,541	–
Long-term loans receivable	4,884		
Provision for doubtful accounts (Note 1)	(3,060)		
	1,824	1,824	–
Total assets	¥ 83,508	¥ 83,508	¥ –
Trade notes and accounts payable:			
Notes	¥ 4,173	¥ 4,173	¥ –
Accounts	23,180	23,180	–
Short-term debt and long-term debt due within one year	16,833	16,833	–
Long-term debt	10,600	10,661	61
Total liabilities	¥ 54,786	¥ 54,847	¥ 61
Derivative financial instruments (Note 2)	(640)	(640)	–

As of March 31, 2013	Thousands of U.S. dollars Carrying amount	 Fair value	 Difference
Cash and cash equivalents	$ 337,711	$ 337,711	$ –
Trade notes and accounts receivable:			
Notes	77,209	77,209	–
Accounts	355,024	355,024	–
Investment securities	163,783	163,783	–
Long-term loans receivable	48,301		
Provision for doubtful accounts (Note 1)	(30,898)		
	17,402	17,514	111
Total assets	$ 951,131	$ 951,243	$ 111
Trade notes and accounts payable:			
Notes	$ 43,979	$ 43,979	$ –
Accounts	260,480	260,480	–
Short-term debt and long-term debt due within one year	232,239	232,239	–
Long-term debt	81,827	82,181	354
Total liabilities	$ 618,527	$ 618,881	$ 354
Derivative financial instruments	207	207	–

Notes:
1. Provision for doubtful accounts corresponding to long-term loans receivable is deducted.
2. Amounts recorded in liabilities are presented in parentheses.

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

Assets

Cash and cash equivalents, trade notes and accounts receivable

The carrying amounts of cash and cash equivalents, trade notes and accounts receivable approximate their fair value because of their short maturities.

Investment securities

The fair value of listed equity securities is measured at the quoted market price of the stock exchange. Information on fair value of investment securities categorized by holding purposes is described in Note 6.

Long-term loans receivable

The fair value of long-term loans receivable is based on the present value determined by discounting the future cash flows using interest rates that would be applied to new loans under similar terms and conditions.

Liabilities

Trade notes and accounts payable, 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

The fair value of long-term debt is based on the present value of principle and interest, discounted using current assumed rates for similar new debt. Certain long-term debt is subject to special treatment for interest rate swaps and the total principal and interest for these swaps are discounted using rationally estimated interest rates for similar new debt.

Derivative financial instruments

Information on the fair values for derivatives is included in Note 16 (Derivative financial instruments).

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

	Millions of yen		Thousands of U.S. dollars
	FY2012 as of March 31, 2013	FY2011 as of March 31, 2012	FY2012 as of March 31, 2013
Unlisted equity securities	¥ 754	¥ 753	$ 8,022
Investment securities: Unconsolidated subsidiaries and affiliates	906	853	9,628
Investment: Unconsolidated subsidiaries and affiliates	536	536	5,700
Total	¥2,197	¥2,142	$ 23,351

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

(c) Maturity analysis for financial assets subsequent to March 31, 2013

	Millions of yen			
As of March 31, 2013	Due in a year or less	1-5 years	5-10 years	Due after 10 years
Cash and cash equivalents	¥ 31,778	¥ –	¥ –	¥ –
Trade notes and accounts receivable:				
Notes	7,265	–	–	–
Accounts	33,407	–	–	–
Long-term loans receivable	–	662	503	280
Total	¥ 72,451	¥ 662	¥ 503	¥ 280

	Thousands of U.S. dollars			
As of March 31, 2013	Due in a year or less	1-5 years	5-10 years	Due after 10 years
Cash and cash equivalents	$ 337,711	$ –	$ –	$ –
Trade notes and accounts receivable:				
Notes	77,209	–	–	–
Accounts	355,024	–	–	–
Long-term loans receivable	–	7,039	5,350	2,976
Total	$ 769,945	$ 7,039	$ 5,350	$ 2,976

Long-term loans receivable of ¥3,099 million ($32, 935 thousand) was not included in the above schedule, because the repayment schedule could not be determined.

(d) Repayment schedule of long-term debt is described in Note 7 (Short-term debt and long-term debt).

16. Derivative financial instruments

The outstanding balances of derivative contracts as of March 31, 2013 and 2012 were as follows:

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

Currency related contracts

	Millions of yen			
	Contract amount			
As of March 31, 2013	Total	Due after one year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Buying				
USD	¥ 4,769	¥ –	¥ 19	¥ 19

	Millions of yen			
	Contract amount			
As of March 31, 2012	Total	Due after one year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Buying				
USD	¥ 4,955	¥ 4,769	¥ (640)	¥ (640)

	Thousands of U.S. dollars			
	Contract amount			
As of March 31, 2013	Total	Due after one year	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:				
Buying				
USD	$ 50,680	$ –	$ 207	$ 207

Note: The fair value of forward foreign exchange contracts is determined by the quoted price on the forward foreign exchange market.

(2) Derivative contracts to which hedge accounting was applied

(a) Currency related contracts

As of March 31, 2013	Principal hedged items	Millions of yen Contract amount Total	 Due after one year	 Fair value
Forward foreign exchange contracts				
Selling:	Trade notes and accounts			
USD	receivable - accounts	¥ 1,045	¥ –	¥ (21)

As of March 31, 2012	Principal hedged items	Millions of yen Contract amount Total	 Due after one year	 Fair value
Forward foreign exchange contracts				
Selling:	Trade notes and accounts			
USD	receivable - accounts	¥ 1,057	¥ –	¥ (24)

As of March 31, 2013	Principal hedged items	Thousands of U.S. dollars Contract amount Total	 Due after one year	 Fair value
Forward foreign exchange contracts				
Selling:	Trade notes and accounts			
USD	receivable - accounts	$ 11,112	$ –	$ (231)

Notes:

1. Hedge accounting method
   Hedged items are translated into Japanese yen using the forward contract rates.
2. The fair value of forward foreign exchange contracts is determined by the quoted price on the forward foreign exchange market.

(b) Interest rate related contracts

As of March 31, 2013	Principal hedged items	Contract amount (Millions of yen) Total	Due after one year	Fair value
Special treatment for interest rate swaps				
Interest rate swaps:				
Receivable floating rate/ payable fixed rate	Long-term debt	¥ 3,000	¥ 3,000	(*)

As of March 31, 2013	Principal hedged items	Contract amount (Thousands of U.S. dollars) Total	Due after one year	Fair value
Special treatment for interest rate swaps				
Interest rate swaps:				
Receivable floating rate/ payable fixed rate	Long-term debt	$ 31,880	$ 31,880	(*)

Notes:
(*)Interest rate swaps subject to the special treatment for interest rate swaps are accounted for together with the long-term debt, accordingly the fair value of the interest rate swaps is included in the fair value of the corresponding long-term debt.

17. Per share information

	Yen		U.S. dollars
	FY2012 ended March 31, 2013	FY2011 ended March 31, 2012	FY2012 ended March 31, 2013
Net assets per share	¥ 539.81	¥ 489.78	$ 5.73
Net income per share	14.29	10.48	0.15

Notes: Diluted net income per share was not presented since potential shares did not exist for the years ended March 31, 2013 and 2012.

Net assets per share and net income per share are calculated based on the following:

	Millions of yen or thousands of shares		Thousands of U.S. dollars
	FY2012 ended March 31, 2013	FY2011 ended March 31, 2012	FY2012 ended March 31, 2013
Net assets per share:			
Total net assets per consolidated balance sheets	¥ 131,311	¥ 119,023	$1,395,442
Net assets attributed to common shares	130,044	117,997	1,381,986
Differences-Minority interests	¥ 1,266	¥ 1,026	$ 13,456
Number of common shares at the end of fiscal year used in computing net assets per share	240,909	240,918	
Net income per share:			
Net income	¥ 3,443	¥ 2,525	$ 36,591
Net income attributable to common shares	¥ 3,443	¥ 2,525	$ 36,591
Average number of common shares during the year	240,914	240,923	

18. Segment information

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's reportable segments consist of 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 photosensitive coating resins for semiconductor wafers, Pastes for die bonding, Carrier tapes for mounting semiconductor components, and Semiconductor substrate materials
Circuit products	Flexible printed circuits, Phenolic resin copper-clad laminates, and Epoxy resin copper-clad laminates
High-performance plastics	Phenolic molding compounds, Phenolic resins for industrial use, Molded parts and molding dies, and Synthetic resin adhesive
Quality of life products	Medical devices, Melamine resin decorative and fireproof laminates, Polyvinyl chloride sheets and multilayered films, Freshness preserving films, Polycarbonate resin plates, Polyvinyl chloride plates, Design and construction of sheet waterproof system, and Biotechnology related products

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

The accounting policies of the reportable segments 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 segment sales, segment income (loss), segment assets and other material items

Segment information as of and for the years ended March 31, 2013 and 2012 was as follows:

	Millions of yen								
	Reportable segments								
Year ended March 31, 2013	Semi-conductor material	Circuit products	High-performance plastics	Quality of life products	Subtotal	Others	Total	Adjustment	Consolidated
Sales:									
Outside customers	¥49,220	¥12,579	¥62,077	¥58,797	¥182,676	¥686	¥183,362	¥ –	¥183,362
Inter-segment	–	–	262	90	352	–	352	(352)	–
Total sales	49,220	12,579	62,339	58,888	183,029	686	183,715	(352)	183,362
Segment income (loss)	4,225	276	3,289	4,010	11,802	(48)	11,754	(3,797)	7,956
Segment assets	¥63,690	¥11,950	¥71,663	¥49,792	¥197,097	¥774	¥197,871	¥15,955	¥213,826
Other items:									
Depreciation and amortization	¥ 3,431	¥ 663	¥ 3,119	¥ 2,566	¥ 9,781	¥108	¥ 9,889	¥ 466	¥ 10,356
Amortization of goodwill	–	–	459	–	459	–	459	–	459
Investment amount for affiliates to which equity method is applied	–	–	165	–	165	–	165	–	165
Increase in property, plant and equipment and intangible assets	9,246	156	4,657	2,694	16,755	75	16,831	757	17,588

	Millions of yen								
	Reportable segments								
Year ended March 31, 2012	Semi-conductor material	Circuit products	High-performance plastics	Quality of life products	Subtotal	Others	Total	Adjustment	Consolidated
Sales:									
Outside customers	¥ 50,024	¥15,592	¥60,015	¥ 58,871	¥184,502	¥735	¥185,237	¥ –	¥ 185,237
Inter-segment	–	–	322	74	396	–	396	(396)	–
Total sales	50,024	15,592	60,337	58,945	184,898	735	185,633	(396)	185,237
Segment income (loss)	2,260	(875)	4,930	2,275	8,590	33	8,623	(3,897)	4,726
Segment assets	¥ 53,933	¥17,945	¥63,971	¥ 52,453	¥188,302	¥920	¥189,222	¥12,093	¥ 201,315
Other items:									
Depreciation and amortization	¥ 3,190	¥ 922	¥ 3,008	¥ 2,711	¥ 9,831	¥131	¥ 9,962	¥ 257	¥ 10,219
Amortization of goodwill	–	–	378	–	378	–	378	–	378
Investment amount for affiliates to which equity method is applied	–	–	123	–	123	–	123	–	123
Increase in property, plant and equipment and intangible assets	6,142	159	5,857	2,078	14,236	121	14,357	209	14,566

	Thousands of U.S. dollars								
	Reportable segments								
Year ended March 31, 2013	Semi-conductor material	Circuit products	High-performance plastics	Quality of life products	Subtotal	Others	Total	Adjustment	Consolidated
Sales:									
Outside customers	$ 523,071	$ 133,686	$ 659,698	$ 624,843	$ 1,941,299	$ 7,296	$ 1,948,596	$ –	$ 1,948,596
Inter-segment	–	–	2,787	961	3,749	–	3,749	(3,749)	–
Total sales	523,071	133,686	662,486	625,804	1,945,048	7,296	1,952,345	(3,749)	1,948,596
Segment income (loss)	44,908	2,941	34,959	42,618	125,428	(515)	124,912	(40,358)	84,553
Segment assets	$ 676,841	$ 126,998	$ 761,570	$ 529,140	$ 2,094,551	$ 8,229	$ 2,102,781	$169,553	$ 2,272,335
Other items:									
Depreciation and amortization	$ 36,471	$ 7,052	$ 33,146	$ 27,278	$ 103,948	$ 1,152	$ 105,100	$ 4,958	$ 110,059
Amortization of goodwill	–	–	4,879	–	4,879	–	4,879	–	4,879
Investment amount for affiliates to which equity method is applied	–	–	1,761	–	1,761	–	1,761	–	1,761
Increase in property, plant and equipment and intangible assets	98,262	1,668	49,496	28,631	178,058	806	178,864	8,046	186,911

Notes:

1. “Others” include business segments that are not included in any reportable segment and include contracted testing and research, and leasing of land, etc.
2. The deductions of ¥(3,797) million ($(40,358) thousand) and ¥(3,897) million listed as an “Adjustment” to “Segment income (loss)” include ¥1 million ($13 thousand) and ¥7 million of elimination of inter-segment transactions and ¥(3,799) million ($(40,371) thousand) and ¥3,904 million of corporate expenses not allocated to any reportable segment for the years ended March 31, 2013 and 2012, respectively.

   Included in the ¥15,955 million ($169,553 thousand) and ¥12,093 million listed as an “Adjustment” to “Segment assets” are ¥(408) million ($(4,336) thousand) and ¥(142) million of elimination of inter-segment transactions and ¥16,363 million ($173,890 thousand) and ¥12,236 million of corporate assets not allocated to any reportable segment as of March 31, 2013 and 2012, respectively. Corporate assets principally consist of investment securities, basic research assets and general and administrative division assets held by the Company.

   The ¥757 million ($8,046 thousand) and ¥209 million listed as an “Adjustment” to “Increase in property, plant and equipment and intangible assets” for the years ended March 31, 2013 and 2012, respectively, principally consist of capital investments in basic research assets and general and administrative division assets held by the Company.
3. Segment income (loss) is adjusted to agree with operating income in the consolidated statements of income.
4. “Depreciation” and “Increase in property, plant and equipment and intangible assets” include depreciation and increase in long-term prepaid expenses.

Related information

(1) Information about geographical areas

Sales and property, plant and equipment by regions for the years ended March 31, 2013 and 2012 were as follows:

(a) Sales

Millions of yen					
Year ended March 31, 2013					
	Asia				
Japan	China	Others	North America	Europe and others	Total
¥ 88,473	¥ 23,729	¥ 41,295	¥ 12,193	¥ 17,671	¥ 183,362

Millions of yen					
Year ended March 31, 2012					
	Asia				
Japan	China	Others	North America	Europe and others	Total
¥ 92,462	¥ 23,682	¥ 40,847	¥ 12,956	¥ 15,290	¥ 185,237

Thousands of U.S. dollars					
Year ended March 31, 2013					
	Asia				
Japan	China	Others	North America	Europe and others	Total
$ 940,202	$ 252,174	$ 438,842	$ 129,577	$ 187,798	$ 1,948,596

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

(b) Property, plant and equipment

Millions of yen					
Year ended March 31, 2013					
	Asia				
Japan	China	Others	North America	Europe and others	Total
¥ 51,142	¥ 10,392	¥ 5,435	¥ 5,343	¥ 7,972	¥ 80,286

Millions of yen					
Year ended March 31, 2012					
	Asia				
Japan	China	Others	North America	Europe and others	Total
¥ 47,939	¥ 8,918	¥ 7,251	¥ 4,647	¥ 5,991	¥ 74,746

Thousands of U.S. dollars					
Year ended March 31, 2013					
	Asia				
Japan	China	Others	North America	Europe and others	Total
$ 543,494	$ 110,435	$ 57,760	$ 56,782	$ 84,728	$ 853,201

(2) Impairment loss of property, plant and equipment

Impairment loss of property, plant and equipment by reportable segments for the years ended March 31, 2013 and 2012 was as follows:

	Millions of yen							
	Reportable segments							
Year ended March 31, 2013	Semi-conductor material	Circuit products	High-performance plastics	Quality of life products	Subtotal	Others	Elimination or corporate	Total
Impairment loss	¥ 282	¥ –	¥ 5	¥ –	¥ 288	¥ –	¥ 593	¥ 881

	Millions of yen							
	Reportable segments							
Year ended March 31, 2012	Semi-conductor material	Circuit products	High-performance plastics	Quality of life products	Subtotal	Others	Elimination or corporate	Total
Impairment loss	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 122	¥ 122

	Thousands of U.S. dollars							
	Reportable segments							
Year ended March 31, 2013	Semi-conductor material	Circuit products	High-performance plastics	Quality of life products	Subtotal	Others	Elimination or corporate	Total
Impairment loss	$ 3,005	$ –	$ 58	$ –	$ 3,064	$ –	$ 6,302	$ 9,366

"Elimination or corporate" was impairment loss for corporate assets.

(3) Goodwill and negative goodwill by reportable segment

The amortization and unamortized balance of goodwill and negative goodwill by reportable segment for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen							
	Reportable segments							
Year ended March 31, 2013	Semi-conductor material	Circuit products	High-performance plastics	Quality of life products	Subtotal	Others	Elimination or corporate	Total
Goodwill:								
Amortization	¥ –	¥ –	¥ 459	¥ –	¥ 459	¥ –	¥ –	¥ 459
Unamortized balance	–	–	4,557	–	4,557	–	–	4,557
Negative goodwill:								
Amortization	–	104	–	52	156	–	–	156
Unamortized balance	–	–	–	52	52	–	–	52

	Millions of yen							
	Reportable segments							
Year ended March 31, 2012	Semi-conductor material	Circuit products	High-performance plastics	Quality of life products	Subtotal	Others	Elimination or corporate	Total
Goodwill:								
Amortization	¥ –	¥ –	¥ 378	¥ –	¥ 378	¥ –	¥ –	¥ 378
Unamortized balance	–	–	4,787	–	4,787	–	–	4,787
Negative goodwill:								
Amortization	–	139	–	443	582	–	–	582
Unamortized balance	–	104	–	105	209	–	–	209

Year ended March 31, 2013	Thousands of U.S. dollars							
	Reportable segments							
	Semi-conductor material	Circuit products	High-performance plastics	Quality of life products	Subtotal	Others	Elimination or corporate	Total
Goodwill:								
Amortization	$ –	$ –	$ 4,879	$ –	$ 4,879	$ –	$ –	$ 4,879
Unamortized balance	–	–	48,430	–	48,430	–	–	48,430
Negative goodwill:								
Amortization	–	1,107	–	556	1,664	–	–	1,664
Unamortized balance	–	–	–	556	556	–	–	556

19. Subsequent events

At the general meeting of shareholders held on June 27, 2013, retained earnings as of March 31, 2013, were appropriated as follows:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends ¥5.0 ($0.05) per share	¥ 1,204	$ 12,800

Independent Auditor's Report

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

Independent Auditor's Report

To the Board of Directors of Sumitomo Bakelite Company Limited:

We have audited the accompanying consolidated financial statements of Sumitomo Bakelite Company Limited and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sumitomo Bakelite Company Limited and its consolidated subsidiaries as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 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

July 5, 2013
Tokyo, Japan

Corporate Data

(As of March 31, 2013)

Corporate Name:
SUMITOMO BAKELITE COMPANY LIMITED

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

Corporate General Affairs Div.
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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	5,215
Non-consolidated	2,151

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

Investor Information

(As of March 31, 2013)

Common Stock:

Stock trading unit	1,000 shares
Authorized	800,000,000 shares
Issued and outstanding	262,952,394 shares
Number of shareholders	19,215*
*Number of share trading unit holders included in above	14,546

Common Stock Listing:
The Tokyo Stock Exchange 1st Section
The Osaka Stock Exchange 1st Section

Independent Auditor:
KPMG AZSA LLC

Administrator of Shareholders' Register:
Sumitomo Mitsui Trust Bank, Limited
1-4-1 Marunouchi, Chiyoda-ku, Tokyo 100-8233, JAPAN

Principal Shareholders:

Name	Number of stocks held (thousands)	Percentage of total number of issued stocks
Sumitomo Chemical Co., Ltd.	52,549	19.98
Japan Trustee Services Bank, Ltd. (Trust Account)	20,644	7.85
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,066	6.11
Japan Trustee Services Bank, Ltd. (Trust Account 9)	6,434	2.45
Juniper	5,193	1.97
Japan Trustee Services Bank, Ltd. (Retirement Payment Account of Sumitomo Mitsui Trust Bank, Limited.)	4,366	1.66
The Mitsui Sumitomo Bank, Limited	4,360	1.66
Trust & Custody Services Bank, Ltd. (Trust Account B)	2,641	1.00
Mitsui Sumitomo Insurance Company, Limited	2,637	1.00
Sumitomo Life Insurance Company	2,617	1.00

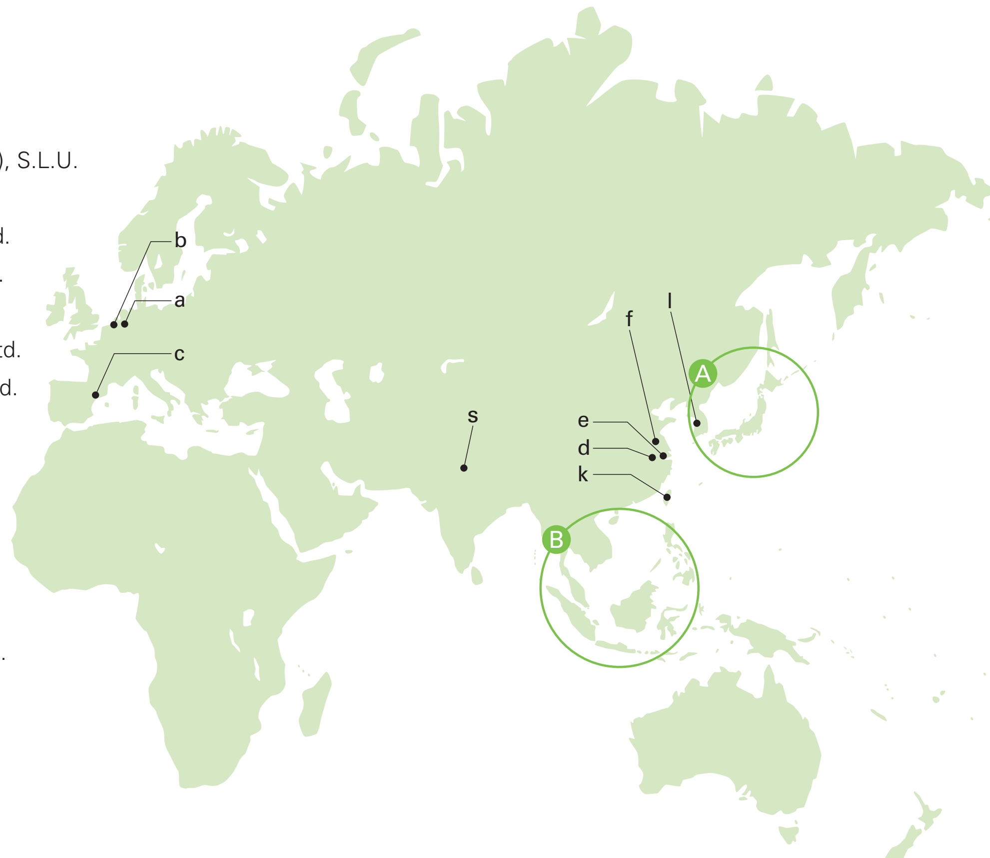
Notes: The Company holds 22,042 thousand shares of treasury stock, which are excluded from stock held by the principal shareholders listed above.

Global and Domestic Network

(As of June 27, 2013)

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. Sumibe Korea Co., Ltd.
m. P.T. Indopherin Jaya
n. P.T. SBP Indonesia
o. SNC Industrial Laminates Sdn. Bhd.
p. Sumitomo Bakelite Singapore Pte. Ltd.
q. Sumidurez Singapore Pte. Ltd.
r. Sumitomo Bakelite (Thailand) Co., Ltd.
s. SBE India Private Limited
t. Sumitomo Plastics America, Inc.
u. Durez Corporation
v. Promerus LLC
w. Sumitomo Bakelite North America, Inc.
x. Durez Canada Co., Ltd.



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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

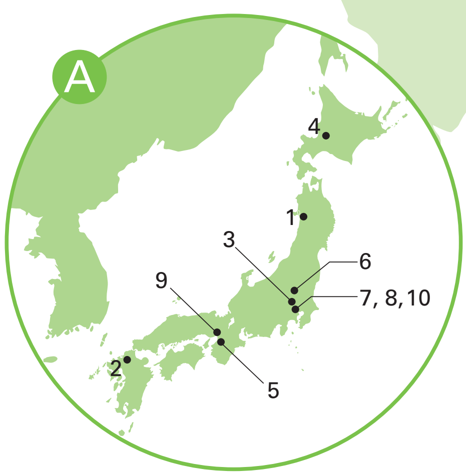
Production Engineering Research Laboratory

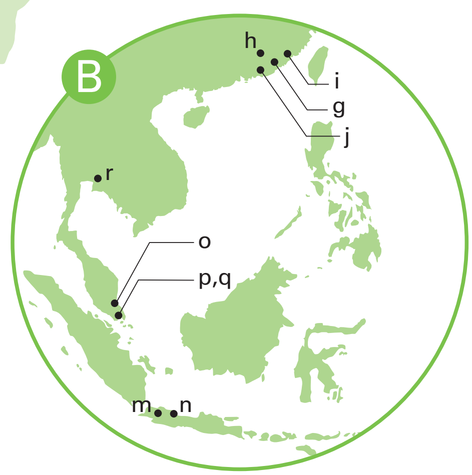
High Performance Plastic Technology Development Laboratory
(Located at Shizuoka Plant)

Information & Telecommunication Material Laboratories
(Located at Utsunomiya Plant)

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.





Films & Sheets Research Laboratory
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Plates Research Laboratory
(Located at Kanuma Plant)

Electronic Device Materials Research Laboratory
(Located at Kyushu Sumitomo Bakelite Co., Ltd.)

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