SUMITOMO BAKELITE CO., LTD.

July, 2015

Annual Report

For the year ended March 31, 2015

Profile

Among the various plastics, phenolic resin has the oldest history. It was developed by Dr. Leo H. Baekeland, an American of Belgian ancestry, in 1907 and he named that synthetic resin "Bakelite". In 1911, Sankyo Company (currently Daiichi Sankyo Co., Ltd.) was assigned the rights to execute the patents in Japan through the good offices of Dr. Jokichi Takamine, a close friend of Dr. Baekeland. Trial production of phenolic resin was started at the Shinagawa Plant of Sankyo Company. That was the origin of the Japan's plastics industry, and the name of our company came from this achievement.

In 1932, the phenolic resin business of Sankyo Co., Ltd. was separated and formed Nippon Bakelite Co., Ltd. In 1955, Nippon Bakelite Co., Ltd. merged with Sumitomo Synthetic Resin Industries, Ltd. to found Sumitomo Bakelite Co., Ltd.

As a pioneer in plastics, with our expertise in and up-to-date facilities for plastics, we have been always developing new technologies for use in various fields in order to contribute to establishing safe and comfortable living.

Financial Highlights

	Millions of yen			Thousands of U.S. dollars
	FY2014 ended March 31, 2015	FY2013 ended March 31, 2014	FY2012 ended March 31, 2013	FY2014 ended March 31, 2015
Net sales	**¥209,659**	¥206,047	¥183,362	**$1,744,692**
Net income	**7,113**	6,493	3,443	**59,195**
Total assets	**285,927**	236,825	213,826	**2,379,357**
Shareholders' equity	**147,381**	143,730	139,654	**1,226,444**
	Yen			U.S. dollars
Net income per share	**¥29.53**	¥26.96	¥14.29	**$0.24**
Diluted net income per share	**—**	—	—	**—**
Cash dividends per share	**10.00**	10.00	10.00	**0.08**

Note: U.S. dollar amounts are translated from yen at the rate of ¥120.17 to US$1, the approximate exchange rate as of March 31, 2015.

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 the growth of the Company. In addition, through proceeding with CS promotion activities, the Company will strive to "achieve results together with customers and contribute to customer growth by promptly and accurately identifying customer needs from customer perspective to propose and provide 'smile for all'."

Operating Environment in Fiscal 2014

During fiscal 2014, ended March 31, 2015, the global economic recovery came to a halt in Europe due mainly to financial instability in the region and the economic growth in China and other emerging nations decelerated, although the U.S. continued on its gradual economic expansion. The Japanese economy plummeted due to the impact of an increase in consumption tax and, in spite of the subsequent recovery trend, remained on a low note overall.

Turning to the environment surrounding the Company's business, the market for semiconductors enjoyed solid sales driven by multifunctional portable terminals such as smartphones and tablet devices. In automobiles, sales remained strong in North America and China, but sales in Europe failed to undergo strong recovery, and sales in Japan were also stagnant. Meanwhile, housing starts in Japan declined in reaction to the last-minute demand before the increase of the consumption tax.

Overview of Fiscal 2014 Results

In the operating environment explained above, the Company endeavored to maintain its lean management structure and leveraged its collective strength toward new growth, while adhering to the following policies:

1. New growth of existing domestic businesses and change of business model;
2. New business start-up and creation;
3. Increase of scale and profitability of overseas business.

As a result, in terms of the Company's performance, consolidated net sales increased by 1.8% from fiscal 2013 to ¥209,659 million. This was mainly due to an increase in the net sales of epoxy resin molding compounds for encapsulation of semiconductor devices and high-performance plastics, which are the Company's mainstay products, as well as a boost from the acquisition of Vaupell Holdings, Inc. of the U.S. and its affiliates (hereinafter collectively referred to as "Vaupell") and weak yen.

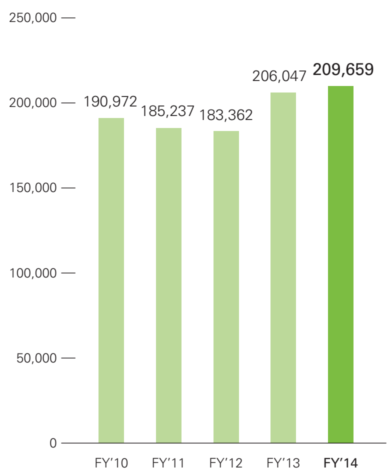
On the earnings front, consolidated operating income increased by 1.9% year on year to ¥10,904 million, due to an increase in the sales mainly of semiconductor materials, and consolidated ordinary income decreased by 2.0% year on year to ¥11,263 million, due to in part to a decline in foreign exchange gains. Consolidated net income increased by 9.5% from fiscal 2013 to ¥7,113 million.

In order to unify the fiscal year-ends of the consolidated subsidiaries and the Company into March, the Company consolidated the performances for a 15-month period in fiscal 2013 with respect to 17 consolidated subsidiaries in North America, China, Taiwan and the ASEAN region. 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 and the actuarial adjustment in retirement allowances are shown in the tables on page 3.

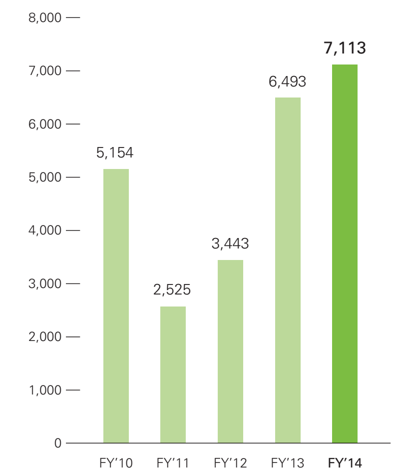
As for dividends, the Company has declared a year-end dividend of ¥5.0 per common share. (Added to the interim dividend paid, the full fiscal year cash dividend for fiscal 2014 is ¥10.0 per common share.)

During the period under review, the Company issued neither new shares nor corporate bonds, nor undertook other extraordinary steps to procure funds. However, the Company borrowed ¥26,577 million for the purpose of supplementing the funding for the acquisition of the shares of Vaupell Holdings, Inc. Meanwhile, total capital expenditures for the period under review amounted to ¥11,812 million.

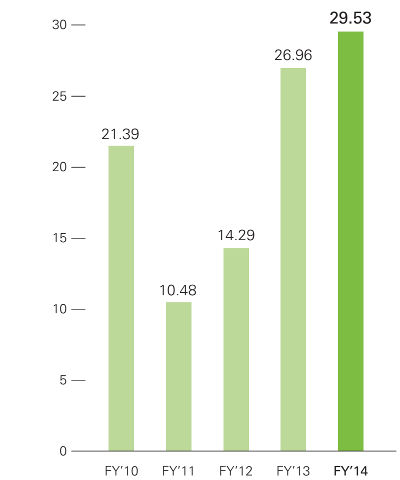
Net sales
(Millions of yen)



Net income
(Millions of yen)



Net income per share
(Yen)



Basic Policies

There are concerns that the global economy will take a downward turn despite the U.S. economy being on a recovery trend, due to the decelerating economic growth of emerging nations including China, the weak European economy, and factors such as geopolitical risks. The Japanese economy is expected to remain unpredictable, despite the anticipation of a recovery trend attributable to improvement in the employment situation as well as income, there being concerns of the impact of the downward turn of the global economy.

The Company will continue to endeavor to return to the growth path in accordance with the following basic business policies.

The first is the "regeneration of existing domestic business and construction of clearly-defined business models". As regards the existing business in Japan, which has already reached maturity, the Company will proceed with the re-invention and re-creation of the next set of new products and business models in keeping with the market movements.

The second is the "contributing to management through early launch of new products/businesses". The Company must expeditiously launch a new business involving the new products and businesses into which it has been pouring its management resources.

The third is the "active investment and expansion of scale in growth areas in overseas markets". Last year, the Company acquired Vaupell in order to make a full-scale entry into the aerospace interior components business as well as accelerate deployment of medical device products to overseas markets. The Company will continue to consider M&A as a means of generating new business models to drive its growth.

In implementing the basic policies, the Company will further promote and integrate CS (customer satisfaction) promotion activities in order to "achieve results together with customers and contribute to customer growth by promptly and accurately identifying customer needs from customer perspective to propose and provide 'smile for all'." Further, the Company will devote itself to the achievement of the target by refining, advancing and combining the individual capabilities, the organizational capabilities, and the Company competence overall.

The priority measures of each segment are as follows:

(Semiconductor materials)

The Company will take full advantage of its global network integrating "production, sales and research" to achieve the quantitative expansion of products ranging from those of the advanced to the general-use volume zones.

The Company will promote the sale of new products that meet the needs of its customers by providing solutions comprising the optimum combination of materials for encapsulation of semiconductor devices, buffer coating materials, die attach pastes and substrate materials for semiconductor packages "LαZ" as well as materials applicable to underfill process and direct molding materials for automotive electronics such as power devices and ECU (electronic control units).

As regards "LαZ", the Company will seek to begin the full-scale operation of the new production lines at the Utsunomiya Plant by striving to promote the sales thereof for use in new product areas, such as memory chips and MPU (microprocessors) for PC, in addition to identifying the new needs for other applications such as materials for high-performance solder resist.

(High-performance plastics)

The Company will proceed with the expansion of this business with the aim of achieving consolidated annual net sales of more than ¥100.0 billion.

Comparison of actual performance (consolidated)

(Billions of yen)

	FY2014 ended March, 2015	FY2013 ended March, 2014	Change (%)
Net sales	209.7	189.6	10.6
Operating income	10.5	7.9	33.9
Ordinary income	10.9	8.6	27.2
Net income	6.9	4.6	49.8

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

In the aerospace interior components business, the Company will combine its materials technology with Vaupell's molding, coating and assembly technologies to move beyond the sale of individual materials, such as resins, to the sale of panels and other composite products in order to expand new product areas and increase added value. In China, the Company will promote the improvement of production efficiency by moving production capabilities from Sumitomo Bakelite (Suzhou) Co., Ltd. to Sumitomo Bakelite (Nantong) Co., Ltd. for consolidation, while working proactively to capture internal demand in order to realize local consumption of locally manufactured products, through efforts that include the sales expansion of liquid resins for automotive electronics.

(Quality of life products)

The Company will enhance the profitability of each business so that the segment will become its third pillar, along with semiconductor materials and high-performance plastics.

In the medical devices business, the Company will expand the sales of new strategic products including the steering micro catheters, which was approved in November 2014 in accordance with the Pharmaceutical Affairs Law, in addition to promoting its products in overseas markets by utilizing Vaupell's US business locations and sales channels as well as working to achieve synergy with Vaupell.

As for films and sheets, the Company will work on expanding sales for films and sheets for pharmaceutical packaging, particularly for generic pharmaceuticals, while capturing demand early on in the Chinese market for co-extruded sheets for food packaging and processes involving flexible printed circuit boards, production of which has begun at Sumitomo Bakelite (Nantong) Co., Ltd. in China.

For building and interior materials, the Company will focus on promoting the sale of polarizing plates, insulation materials, and other high-profitability products in the plates business, while utilizing the subsidiary in Indonesia to cultivate the ASEAN markets. The Company will seek to further increase the adoption of "Decola Innovair", the thinnest fireproof melamine resin decorative sheet in the industry, which has a progressive track record in terms of use as an interior material mainly in elevators, office buildings, and hotels. As regards waterproof products, the Company will promote sales for use on the rooftops of common buildings and for heat storage tanks in addition to sales in relation to the construction of new homes and renovations.

In order to achieve the sales and income goals for each business, the Company will proceed with its endeavors, placing emphasis on the exchange and cooperation among the various businesses within each of the segments described above, the enhancement of collaboration and cooperation with the various companies and individuals surrounding the Company, and the promotion of mutual growth. At the same time, the Company will strive to earn social trust through the further reinforcement of compliance in response to environmental and social needs.

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

June 2015

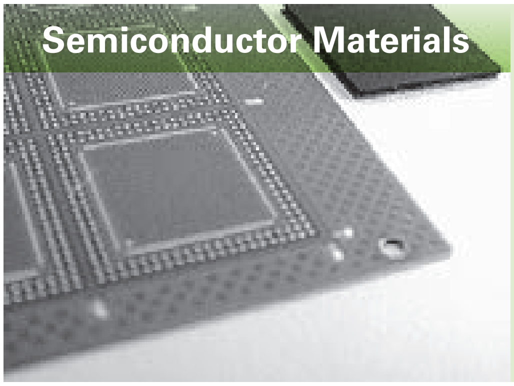
Shigeru Hayashi
President

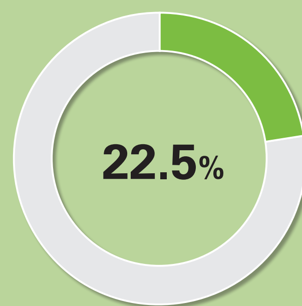
At a Glance

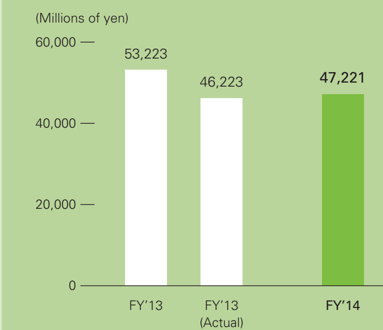
The figures shown for FY’13 (Actual) do not reflect the impact of the changes in fiscal year-ends referred to on page 1.

Segment	Segment Sales to Total Sales	Net Sales

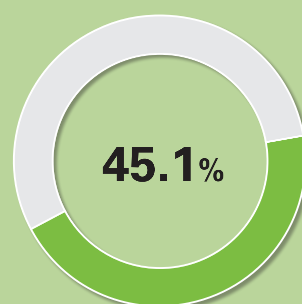
Semiconductor Materials

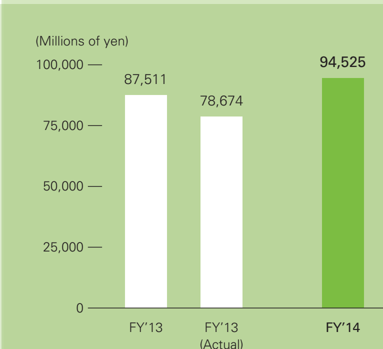




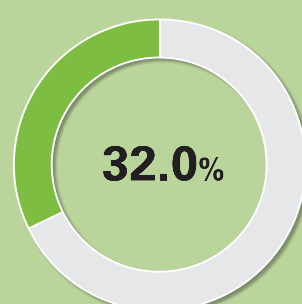


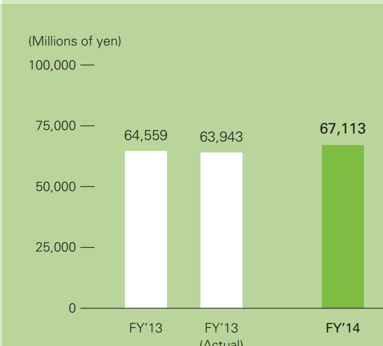
High-Performance Plastics





Quality of Life Products





Note: The Others segment recorded net sales of ¥798 million in fiscal 2014.

Overview

Sales of epoxy resin molding compounds for encapsulation of semiconductor devices and liquid resins for semiconductor devices increased partly due to the effect of sales expansion in the Chinese market, contribution of products for the MUF (mold underfill) market along with other new strategic products, and the effect of the weak yen, in addition to the solid demand in the multifunctional mobile terminal market. Sales of "LαZ" substrate materials for semiconductor packages decreased mainly from the impact of major customers switching to new models.

Sales of phenolic molding compounds, phenolic and other resins for industrial use and molded products increased due to the solid demand in the North American and Chinese automobile markets, the moderate recovery trend in Europe in spite of the harsh environment, and exports supported by the weak yen compensating for the stagnant demand in the Japanese market attributable to the effect of the increase in consumption tax, as well as the addition of Vaupell's aerospace interior component business. Sales of copper-clad laminates increased as a result of solid sales in the automobile market and the contribution of sales expansion in the LED light market, despite the slow sales in the stagnated consumer products market.

Sales of medical devices increased as a result of the buoyant sales of strategic products, such as "Orphis CV Kit" and "Clio Drain Vac", in addition to the solid sales of the mainstay drainage products. Sales of vinyl resin sheets and multilayer sheets remained healthy and increased, with pharmaceutical packaging materials enjoying an increase in demand spurred by popularization of generic pharmaceuticals and sheets for industrial use reflecting the strong sales primarily of smartphones. Sales of plate products, including polycarbonate resin plates and vinyl chloride resin plates, increased owing to a growth in demand not only for polarizing plates mainly for sunglasses, but also in light-transmitting plates and polycarbonate plates for highways and industrial machinery. Sales of waterproof products declined in spite of solid performance relating to renovations, due to the strong impact of the stagnant demand in the housing market.

Corporate Governance

Basic Approach

Today, the Company 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 the Company states: "Our company places prime importance on trust and sureness, and shall commit itself to contributing to the progress of society and enhancement of people's welfare and livelihood through its business activities." By always embracing this philosophy, the Company is continuing to enhance its corporate governance, thereby gaining global recognition as a socially responsible corporate group.

Corporate Governance Structure

The Company has adopted a corporate auditor system. Based on this system, the Company has appointed nine directors, including two outside directors, 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 Company 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.

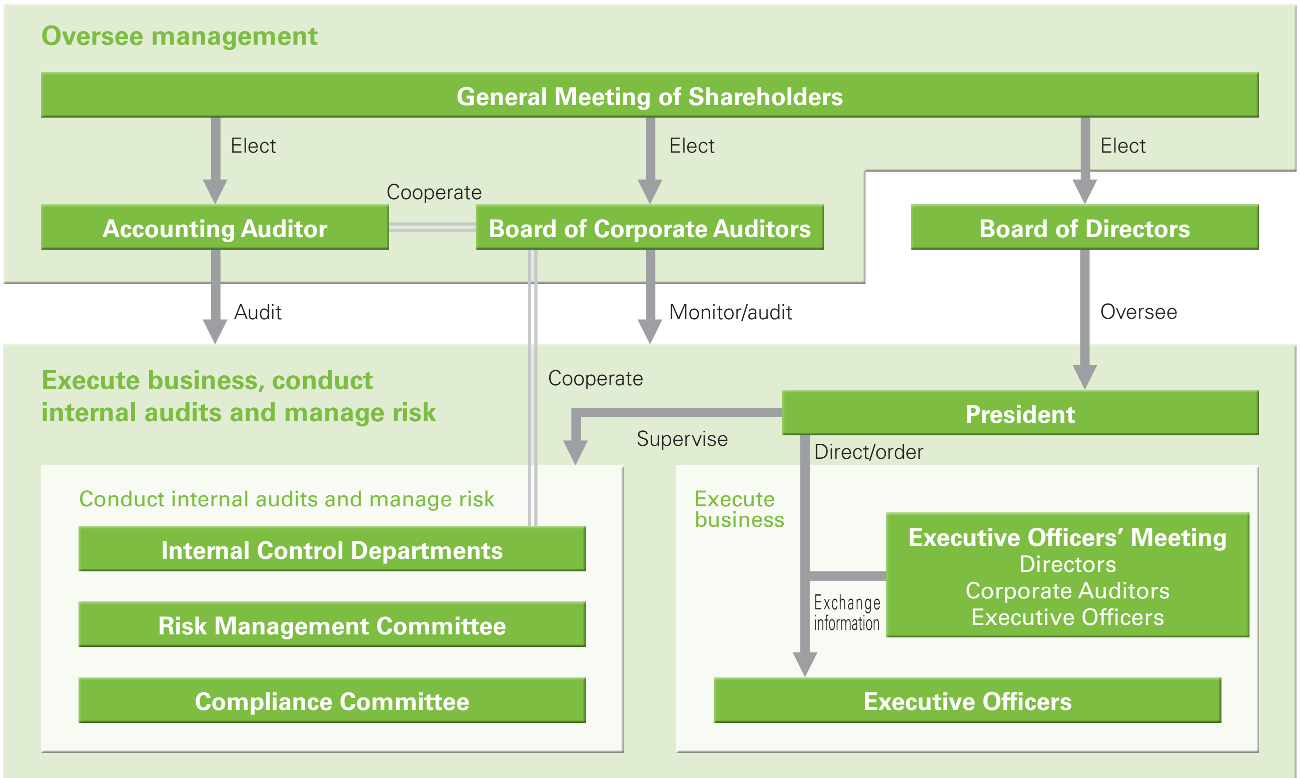
Accounting Audits

Corporate auditors collaborate with the auditing firm, who conducts accounting audits for the Company. 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 the Company 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 25, 2015)

Directors and Corporate Auditors

President
Shigeru Hayashi*

Directors
Tsuneo Terasawa*
Shigeki Muto
Noboru Yamawaki
Kazuhiko Fujiwara
Masayuki Inagaki
Sumitoshi Asakuma

Outside Directors
Hiroyuki Abe
Ikuzo Ogawa

Standing Corporate Auditors
Tamotsu Yahata
Takao Akasaka

Outside Corporate Auditors
Kazuo Matsuda
Junji Tomita

Note:*=Representative Director

Executive Officers

President
Shigeru Hayashi

Executive Vice Presidents
Tsuneo Terasawa
Shigeki Muto

Senior Managing Executive Officer
Noboru Yamawaki

Managing Executive Officers
Kazuhiko Fujiwara
Masayuki Inagaki
Sumitoshi Asakuma
Tatsuo Yoshihara
Henny Van Dijk

Executive Officers
Takashi Nakamura
Goichiro Kuwaki
Takashi Kobayashi
Atsushi Suzuki
Seiji Suzuki
Koji Choki
Masaya Fumita
Yoshikazu Takezaki

Major Topics

Promotion of Cooperation and Collaboration with Vaupell in the U.S.

The Company is working in cooperation with Vaupell, which it acquired on June 12, 2014, to achieve synergy at an early date through collaboration in Vaupell's business areas.

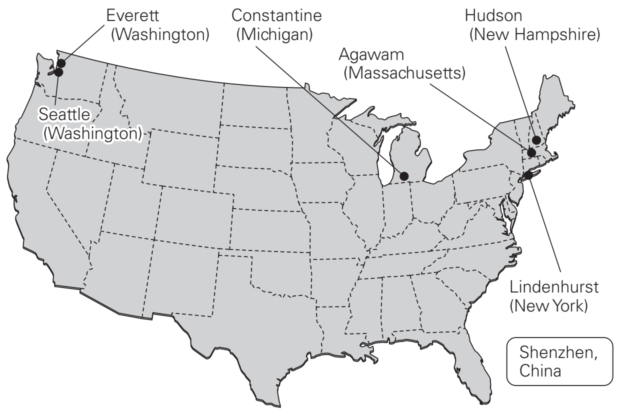
The following efforts are underway in the aerospace interior components business in order to establish a presence in the market as an integrated supplier.

1. The Company and Vaupell will combine respective technologies with those of the other in order to expand its business domain in the aerospace segment. "Integrated supplier" signifies a supplier with the ability to provide value over a broad range of supply chains encompassing everything from raw materials (resins) and composites to painting and assembly. The Company has already approached major aircraft manufacturers with the various products it offers and has been received with high expectations as a presence that will be transforming supply chains in this business area.
2. The Company will expand its customer base and create new business opportunities through the sharing of existing customers of the Company and Vaupell.
3. The Company will promote expansion into the aerospace after market and leverage the geographic advantage of having business sites in China and Malaysia to ensure market competitiveness in the Asian region, where many of its customers are located.

In the medical devices business, the Company is cultivating new customers and utilizing existing sales channels to expand business in both the Japanese and U.S. markets, mainly through the sale of the Company's products in the U.S. with Vaupell providing a foothold and the import and sale of Vaupell's OEM products in Japan.

As for the bio business positioned by the Company as a growth business domain, assets relating to the glycan analysis business acquired in August 2014 from Ezose Sciences, Inc., a U.S. subsidiary of Shionogi & Co., Ltd., were transferred to Vaupell's Hudson (New Hampshire) facility, which is being utilized as a central location for the sale of biotechnology related products and provision of relevant services in the U.S. The Company will seek to become a total solution provider in the area of glycans by not only selling glycan analysis related products, but also commencing the provision of services relating to glycan analysis by leveraging the assets acquired from Ezose Sciences, Inc.

■Vaupell's Business Locations

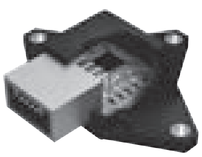


Hudson facility

The Smart Community Market as a New Business Domain

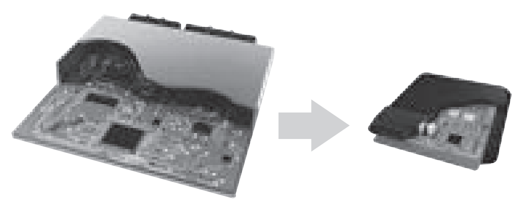
The Company established Smart Community Marketing & Development Department in August 2014. "Smart community" is a conceptual community that aspires to achieve, by utilizing IT, the integrated management and optimization of energy, transportation, medical care, information relating to daily life, and other social infrastructures. The Department will take over the Company's undertakings related to the development and provision of materials for automotive electronics, identify the needs of the smart community market without confining itself to a specific business domain, and provide solutions that take advantage of the Company's extensive plastic product line-up as well as its broad spectrum of technologies.

The Company is conducting activities aimed at expanding the business domain of semiconductor package materials. In particular, commercialization has now begun of encapsulation materials for automotive electronics, such as sensor modules and power modules, which, as a result of one-set encapsulation of electronics, offer advantages that include reduced size and weight, shortening of the processes required, higher reliability and lower costs compared to the conventional method of encapsulating devices into a casing with a liquid resin or a similar material. The Company is also promoting the adoption of direct molding materials for ECU (electronic control units). It will contribute to the realization of a society consisting of smart communities by applying this one-set encapsulation technology to electric devices relating to industrial machinery, social infrastructures, medical care and other business domains comprising the smart community market.



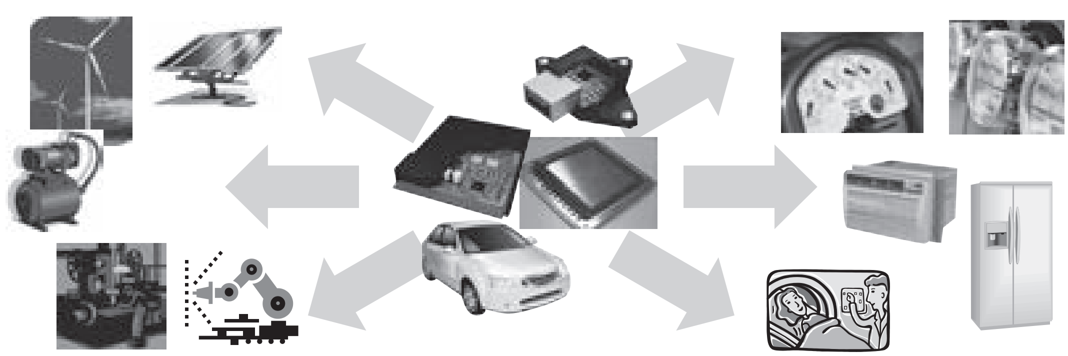
One-set encapsulated sensor module

■Reduction in the size and weight of automotive components as a result of one-set encapsulation (Conceptual image)



Conventional products One-set encapsulated products

■Application of the Company's technologies in the smart community market (Conceptual images)

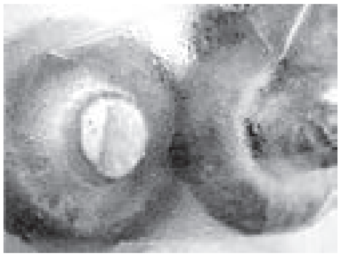


Development of Anti-Condensation Film for Fruits and Vegetables

The Company developed a new "anti-condensation film" for fruits and vegetables, which is both fog resistant and vapor permeable.

While fog resistant films have traditionally been used to package fruits and vegetables in order to prevent deterioration in appearance due to condensation in the bags, they presented the problem of moisture accumulating in the bags over time to make the fruits and vegetables more prone to decay. The "anti-condensation film" that the Company developed successfully controls condensation inside bags by releasing moisture within the bags suitably by combining its proprietary compounding and film layering technologies to achieve both fog resistance and a certain level of vapor permeability.

The Company will pursue further functional development by combining the "anti-condensation film" technology with "P-Plus", a film sold by the company, which preserves the freshness of fruits and vegetables by controlling gas permeability within the bags to suppress the respiration of fruits and vegetables.



Regular fog resistant film

Anti-condensation film

Acquisition of Approval to Market the World's First "Steering Micro Catheter"

The Company succeeded in the productization of a steering micro catheter equipped with the function of changing the direction of the tip using controls at the operator's fingertips and obtained approval for the product from the Ministry of Health, Labor and Welfare in November 2014.

The steering micro catheter is a flexible plastic tube 0.8 mm in external diameter and 1.3 m in length that is used primarily in a treatment method known as embolization, wherein the tube is filled primarily with a drug, such as an anti-cancer drug, and inserted into the blood vessel to kill cancer cells in the affected area. The steering micro catheter is the first catheter in the world for this treatment method equipped with the function of changing the direction of the tip.

The treatment presented problems such as the need for a highly skilled physician and an apparatus known as a micro guide wire in order to guide the catheter to the blood vessel of the affected area deep inside the body, as well as the length of time required for the procedure and significant physical impact on patients. The steering micro catheter is expected to increase the efficiency of the treatment while reducing the load on both physicians and patients, since it can be guided using the controls as the operator's finger tips and renders it possible to perform the procedure without a micro guide wire.

Steering micro catheter

Five-Year Financial Summary

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries

	FY2014 ended March 31, 2015	FY2013 ended March 31, 2014	FY2012 ended March 31, 2013	FY2011 ended March 31, 2012	FY2010 ended March 31, 2011	FY2014 ended March 31, 2015
	Millions of yen					Thousands of U.S. dollars
For the year:						
Net sales	¥ 209,659	¥ 206,047	¥ 183,362	¥ 185,237	¥ 190,972	$ 1,744,692
Operating income	10,904	10,702	7,956	4,726	11,182	90,744
Income before income taxes and minority interests	11,344	10,540	6,532	3,689	8,322	94,406
Net income	7,113	6,493	3,443	2,525	5,154	59,195
Capital expenditures	11,812	13,263	17,588	14,566	10,656	98,295
Depreciation and amortization	9,256	10,969	10,393	10,466	11,014	77,029
Research and development expenses	10,253	11,881	12,325	13,048	12,441	85,326
Cash flows:						
Cash flows from operating activities	15,672	17,852	16,644	6,731	16,293	130,419
Cash flows from investing activities	(36,353)	(15,220)	(13,088)	(13,340)	(10,692)	(302,518)
Cash flows from financing activities	23,467	2,722	(642)	(3,942)	2,152	195,282
At year-end:						
Total assets	285,927	236,825	213,826	201,315	205,090	2,379,357
Net assets	170,949	150,344	131,311	119,023	122,025	1,422,566
Interest-bearing liabilities	61,066	35,063	29,553	27,433	27,659	508,168
Per-share data:	Yen					U.S. dollars
Net income	¥ 29.53	¥ 26.96	¥ 14.29	¥ 10.48	¥ 21.39	$ 0.24
Net assets	702.53	618.28	539.81	489.78	501.95	5.84
Cash dividends	10.00	10.00	10.00	12.50	15.00	0.08
Financial indicators:	%					
ROE	4.5	4.7	2.8	2.1	4.2	
ROA	4.3	5.1	4.1	2.9	6.1	
Ratio of operating income to net sales	5.2	5.2	4.3	2.6	5.9	
Equity ratio	59.2	62.9	60.8	58.6	59.0	
Ratio of interest-bearing liabilities to total assets	21.4	14.8	13.8	13.6	13.5	
Debt-to-equity ratio	36.1	23.5	22.7	23.2	22.9	

Notes:
1. The U.S. dollar amounts are translated from yen, for the convenience of the readers, at the rate of ¥120.17 = US$1 on March 31, 2015.
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. In FY2014, the closing date of 2 consolidated subsidiaries in Asia has been changed from December 31 to March 31 (Please refer to "Consolidation" in p. 18 for details). Accordingly, for those subsidiaries that have changed their closing dates, the financial results for 15 months are consolidated for the year.
9. In FY2013, the closing date of 17 consolidated subsidiaries in Asia and North America has been changed to March 31. Accordingly, for those subsidiaries that have changed their closing dates, the financial results for 15 months are consolidated for the year.
10. From FY2014, the performances of Vaupell Holdings, Inc. and 4 of its affiliates have been included in the consolidated statements.

Consolidated Balance Sheets

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
as of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
ASSETS	FY2014 as of March 31, 2015	FY2013 as of March 31, 2014	FY2014 as of March 31, 2015
Current assets:			
Cash and deposits (Note 15)	¥ 49,966	¥ 41,341	$ 415,800
Trade notes and accounts receivable (Note 15):	44,766	41,932	372,523
Inventories (Note 4)	31,084	26,977	258,673
Deferred tax assets (Note 8)	2,570	2,191	21,391
Others	3,905	3,814	32,496
Provision for doubtful accounts	(62)	(55)	(517)
Total current assets	132,231	116,202	1,100,368
Property, plant and equipment (Note 12)**:**			
Land	9,504	9,915	79,094
Buildings and structures	77,526	72,935	645,137
Machinery and equipment	141,783	125,688	1,179,859
Construction in progress	13,407	14,603	111,573
Others	15,126	13,614	125,877
Total property, plant and equipment	257,349	236,757	2,141,542
Less accumulated depreciation	(164,650)	(149,330)	(1,370,147)
Net property, plant and equipment	92,698	87,426	771,394
Intangible assets:			
Goodwill (Note 18)	28,060	4,404	233,504
Others	2,429	1,549	20,214
Total intangible assets	30,489	5,953	253,718
Investments and other assets:			
Investment securities (Notes 5 and 15):			
Unconsolidated subsidiaries and affiliates	2,744	2,223	22,839
Others	22,267	19,292	185,296
Long-term loans receivable (Note 15):			
Unconsolidated subsidiaries and affiliates	2,940	2,914	24,467
Others	2,226	1,715	18,527
Net defined benefit assets (Note 7)	851	1,279	7,086
Deferred tax assets (Note 8)	443	650	3,690
Others	2,674	2,664	22,254
Provision for doubtful accounts (Note 15)	(3,639)	(3,498)	(30,287)
Total investments and other assets	30,508	27,242	253,875
Total assets	¥ 285,927	¥ 236,825	$ 2,379,357

See accompanying notes.

LIABILITIES AND NET ASSETS	Millions of yen FY2014 as of March 31, 2015	 FY2013 as of March 31, 2014	Thousands of U.S. dollars (Note 1) FY2014 as of March 31, 2015
Current liabilities:			
Short-term debt (Notes 6 and 15)	¥ 22,679	¥ 22,363	$ 188,730
Long-term debt due within one year (Notes 6 and 15)	3,300	1,400	27,461
Trade notes and accounts payable (Note 15)	29,721	30,587	247,324
Accrued expenses	8,131	6,710	67,665
Income taxes payable	1,283	1,084	10,677
Provision for bonuses	2,895	2,628	24,091
Others	2,693	3,363	22,412
Total current liabilities	70,703	68,138	588,363
Long-term liabilities:			
Long-term debt (Notes 6 and 15)	35,086	11,300	291,976
Deferred tax liabilities (Note 8)	4,702	2,949	39,130
Net defined benefit liabilities (Note 7)	3,643	3,133	30,319
Provision for environmental measures	82	124	682
Others	759	834	6,319
Total long-term liabilities	44,273	18,341	368,427
Net assets (Note 9)**:**			
Shareholders' equity:			
Common shares:			
Authorized: 800,000,000 shares			
Issued : 262,952,394 shares in FY2014 and FY2013	37,143	37,143	309,087
Capital surplus	35,358	35,358	294,235
Retained earnings	86,829	83,169	722,559
Treasury stock, at cost			
22,085,400 shares in FY2014 and			
22,064,282 shares in FY2013	(11,949)	(11,940)	(99,438)
Total shareholders' equity	147,381	143,730	1,226,444
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	8,643	6,317	71,923
Foreign currency translation adjustments	14,270	(501)	118,756
Remeasurements of defined benefit plans (Note 7)	(1,080)	(611)	(8,991)
Total accumulated other comprehensive income	21,833	5,205	181,689
Minority interests	1,734	1,408	14,432
Total net assets	170,949	150,344	1,422,566
Total liabilities and net assets	¥ 285,927	¥ 236,825	$ 2,379,357

Consolidated Statements of Income

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2014 ended March 31, 2015	FY2013 ended March 31, 2014	FY2014 ended March 31, 2015
Net sales (Note 19)	¥ 209,659	¥ 206,047	$ 1,744,692
Cost of sales	150,301	150,330	1,250,744
Selling, general and administrative expenses	48,452	45,014	403,203
Operating income (Note 19)	10,904	10,702	90,744
Other income (expense):			
Interest and dividend income	652	564	5,426
Interest expense	(303)	(273)	(2,528)
Amortization of negative goodwill (Note 19)	–	52	–
Equity in earnings of affiliates	232	122	1,935
Foreign exchange gain, net	17	427	146
Gain (Loss) on sale or disposal of property, plant and equipment	864	(403)	7,194
Loss on devaluation of investment securities	(4)	(1)	(41)
Cost of business restructuring (Note 10)	(326)	(332)	(2,716)
Loss on disaster (Note 11)	(495)	–	(4,122)
Impairment loss (Note 12)	(21)	(184)	(177)
Settlement	–	(18)	–
Insurance income	279	42	2,327
Others, net	(454)	(156)	(3,782)
	440	(162)	3,662
Income before income taxes and minority interests	11,344	10,540	94,406
Income taxes (Note 8)**:**			
Current	2,903	2,092	24,159
Deferred	1,210	1,836	10,070
	4,113	3,928	34,229
Income before minority interests	7,231	6,612	60,177
Minority interests	118	118	982
Net income	¥ 7,113	¥ 6,493	$ 59,195

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock (Note 17)**:**			
Net income	¥ 29.53	¥ 26.96	$ 0.24
Diluted net income	–	–	–
Cash dividends applicable to the year	¥ 10.00	¥ 10.00	$ 0.08

See accompanying notes.

Consolidated Statements of Comprehensive Income

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2014 ended March 31, 2015	FY2013 ended March 31, 2014	FY2014 ended March 31, 2015
Income before minority interests	¥ 7,231	¥ 6,612	$ 60,177
Other comprehensive income (Note 13)			
Valuation difference on available-for-sale securities	2,325	2,091	19,352
Foreign currency translation adjustments	14,945	12,373	124,372
Remeasurements of defined benefit plans (Note 7)	(471)	548	(3,919)
Share of other comprehensive income of associates accounted for using the equity method	35	(12)	295
Total other comprehensive income	16,835	15,000	140,100
Comprehensive income	¥ 24,067	¥ 21,613	$ 200,278
Comprehensive income attributable to:			
Owners of the parent	¥ 23,741	¥ 21,308	$ 197,568
Minority interests	325	304	2,710

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

		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	Remeasurements of defined benefit plans	Minority interests	Total net assets
Balance at April 1, 2013	262,952	¥ 37,143	¥ 35,358	¥ 79,085	¥ (11,932)	¥ 4,226	¥ (12,672)	¥ (1,163)	¥ 1,266	¥ 131,311
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	–	–	–	–
Restated balance	–	37,143	35,358	79,085	(11,932)	4,226	(12,672)	(1,163)	1,266	131,311
Net income	–	–	–	6,493	–	–	–	–	–	6,493
Valuation difference arising during the year	–	–	–	–	–	2,091	–	–	–	2,091
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	12,171	–	–	12,171
Remeasurements of defined benefit plans	–	–	–	–	–	–	–	551	–	551
Purchase of treasury stock	–	–	–	–	(8)	–	–	–	–	(8)
Cash dividends paid (¥10 per share)	–	–	–	(2,409)	–	–	–	–	–	(2,409)
Disposal of treasury stock	–	–	–	(0)	1	–	–	–	–	0
Change of scope of consolidation	–	–	–	–	–	–	–	–	–	–
Increase (decrease) in minority interests	–	–	–	–	–	–	–	–	142	142
Balance at April 1, 2014	262,952	¥ 37,143	¥ 35,358	¥ 83,169	¥ (11,940)	¥ 6,317	¥ (501)	¥ (611)	¥ 1,408	¥ 150,344
Cumulative effects of changes in accounting policies	–	–	–	(1,076)	–	–	–	–	–	(1,076)
Restated balance	–	37,143	35,358	82,093	(11,940)	6,317	(501)	(611)	1,408	149,268
Net income	–	–	–	7,113	–	–	–	–	–	7,113
Valuation difference arising during the year	–	–	–	–	–	2,325	–	–	–	2,325
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	14,772	–	–	14,772
Remeasurements of defined benefit plans	–	–	–	–	–	–	–	(469)	–	(469)
Purchase of treasury stock	–	–	–	–	(9)	–	–	–	–	(9)
Cash dividends paid (¥10 per share)	–	–	–	(2,408)	–	–	–	–	–	(2,408)
Disposal of treasury stock	–	–	–	(0)	0	–	–	–	–	0
Change of scope of consolidation	–	–	–	32	–	–	–	–	–	32
Increase (decrease) in minority interests	–	–	–	–	–	–	–	–	325	325
Balance at March 31, 2015	262,952	¥ 37,143	¥ 35,358	¥ 86,829	¥ (11,949)	¥ 8,643	¥ 14,270	¥ (1,080)	¥ 1,734	¥ 170,949

		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	Remeasurements of defined benefit plans	Minority interests	Total net assets
Balance at April 1, 2014	262,952	$ 309,087	$ 294,235	$ 692,102	$ (99,362)	$ 52,571	$ (4,170)	$ (5,084)	$ 11,722	$ 1,251,102
Cumulative effects of changes in accounting policies	–	–	–	(8,960)	–	–	–	–	–	(8,960)
Restated balance	–	309,087	294,235	683,141	(99,362)	52,571	(4,170)	(5,084)	11,722	1,242,141
Net income	–	–	–	59,195	–	–	–	–	–	59,195
Valuation difference arising during the year	–	–	–	–	–	19,352	–	–	–	19,352
Adjustments from translation of foreign currency financial statements	–	–	–	–	–	–	122,926	–	–	122,926
Remeasurements of defined benefit plans	–	–	–	–	–	–	–	(3,906)	–	(3,906)
Purchase of treasury stock	–	–	–	–	(78)	–	–	–	–	(78)
Cash dividends paid ($0.08 per share)	–	–	–	(20,045)	–	–	–	–	–	(20,045)
Disposal of treasury stock	–	–	–	(0)	3	–	–	–	–	2
Change of scope of consolidation	–	–	–	267	–	–	–	–	–	267
Increase (decrease) in minority interests	–	–	–	–	–	–	–	–	2,710	2,710
Balance at March 31, 2015	262,952	$ 309,087	$ 294,235	$ 722,559	$ (99,438)	$ 71,923	$ 118,756	$ (8,991)	$ 14,432	$ 1,422,566

See accompanying notes.

Consolidated Statements of Cash Flows

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	FY2014 ended March 31, 2015	FY2013 ended March 31, 2014	FY2014 ended March 31, 2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 11,344	¥ 10,540	$ 94,406
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	9,256	10,969	77,029
Impairment loss	21	184	177
Increase (decrease) in net defined benefit assets and liabilities	(1,404)	(2,698)	(11,683)
(Gain) loss on sale or disposal of property, plant and equipment	(864)	403	(7,194)
Interest and dividend income	(652)	(564)	(5,426)
Interest expense	303	273	2,528
(Gain) loss on devaluation of investment securities	4	1	41
Cost of business restructuring	–	(94)	–
(Increase) decrease in notes and accounts receivable	1,352	904	11,252
(Increase) decrease in inventories	(8)	337	(67)
(Increase) decrease in other current assets	(680)	(476)	(5,660)
Increase (decrease) in notes and accounts payable	(2,346)	875	(19,522)
Increase (decrease) in other current liabilities	637	(1,059)	5,305
Others, net	808	(10)	6,727
Subtotal	17,774	19,586	147,913
Interest and dividends received	671	569	5,588
Interest paid	(303)	(283)	(2,523)
Income taxes paid	(2,470)	(2,019)	(20,559)
Net cash provided by operating activities	15,672	17,852	130,419
Cash flows from investing activities:			
Purchases of property, plant and equipment	(9,810)	(14,722)	(81,637)
Proceeds from sale of property, plant and equipment	1,869	87	15,557
Purchases of investment securities	(16)	(15)	(137)
Purchase of shares of subsidiaries resulting in change in scope of consolidation (Note 14)	(27,991)	–	(232,929)
Purchases of investments in subsidiaries	–	(725)	–
Others, net	(405)	155	(3,370)
Net cash used in investing activities	(36,353)	(15,220)	(302,518)
Cash flows from financing activities:			
Increase (decrease) in short-term debt	232	6,244	1,936
Proceeds from long-term debt	27,087	5,000	225,409
Repayment of long-term debt	(1,400)	(5,900)	(11,650)
Cash dividends paid	(2,408)	(2,409)	(20,045)
Cash dividends paid to minority shareholders	–	(162)	–
Others, net	(44)	(50)	(367)
Net cash provided by financing activities	23,467	2,722	195,282
Effect of exchange rate changes on cash and cash equivalents	5,063	4,208	42,138
Net increase (decrease) in cash and cash equivalents	7,849	9,563	65,322
Cash and cash equivalents at beginning of year	41,341	31,778	344,028
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	775	–	6,449
Cash and cash equivalents at end of year	¥ 49,966	¥ 41,341	$ 415,800

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, 2015) 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 accompanying consolidated financial statements have been restructured and translated into English from the audited consolidated financial statements of the Companies, 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.

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. In addition, certain reclassifications have been made in the FY2013 consolidated financial statements to conform to the classifications used in FY2014.

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 31, 2015, which was ¥120.17 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, 2015. 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 39 and 33 significant subsidiaries for the years ended March 31, 2015 and 2014, respectively. All significant intercompany balances and transactions have been eliminated in consolidation.

From the fiscal year ended March 31, 2015, Sumitomo Bakelite (Dongguan) Co., Ltd., which used to be an unconsolidated subsidiary in previous fiscal years, was newly included in the scope of consolidation due to its increasing materiality.

From the fiscal year ended March 31, 2015, Vaupell Holdings, Inc. and 4 of its affiliates were newly included in the scope of consolidation because the Companies acquired all of the shares of Vaupell Holdings, Inc. on June 12, 2014. As the deemed acquisition date is June 30, 2014, the accounting period for this fiscal year is 9 months from July 1, 2014 to March 31, 2015.

Among the consolidated subsidiaries, the following companies have different fiscal year-end (December 31) from the consolidated fiscal year-end (March 31):

Sumitomo Bakelite (Suzhou) Co., Ltd., Sumitomo Bakelite (Shanghai) Co., Ltd., Sumitomo Bakelite (Nantong) Co., Ltd., Sumitomo Bakelite (Dongguan) Co., Ltd., Basec Hong Kong Limited, Sumitomo Bakelite Hong Kong Co., Ltd. and Sumitomo Bakelite Macau Co., Ltd.

In preparing consolidated financial statements, these subsidiaries have been consolidated based on provisional settlement of accounts as of the consolidated fiscal year-end (March 31).

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 2015 and 2014, 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 from five to twenty years from the date of acquisition.

(Disclosure about fiscal years, etc. of consolidated subsidiaries)
The Company has changed its method to consolidate Basec Hong Kong Limited, Sumitomo Bakelite Hong Kong Co., Ltd. based on provisional settlement of accounts complying with the regular

settlement as of March 31, which is the consolidated fiscal year-end date.

Accordingly, the accounting period for the above mentioned 2 subsidiaries for this fiscal year was 15 months from January 1, 2014 to March 31, 2015.

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) Derivatives 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, interest rate swap contracts and interest rate currency swap 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 and payables are translated at the corresponding forward foreign exchange contract rate.
2. If a forward foreign exchange contract is executed to hedge existing foreign currency receivable and payable:
   (a) the difference, if any, between the Japanese yen amount of the hedged foreign currency receivable and payable translated using the spot rate at the inception date of the contract and the carrying amounts of the receivable and payable 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").
5. If interest rate currency swap contracts are used as hedges and meet hedging certain criteria, interest rate currency swaps are not remeasured at market value, and the net amount to be paid or received under the interest rate currency swap contracts is added to or deducted from the interests on the assets or liabilities for which the interest rate currency swap contracts were executed. Moreover, the long-term debts hedged by the swap contracts are translated at the swap contract rate ("integral 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 and use interest rate currency swaps to hedge both the interest rate risk and the exchange rate risk for long-term debt denominated in foreign currencies.

(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 confirm 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 acquisition.

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 average method for supplies.

Property, plant and equipment (excluding leases)

The Companies calculate depreciation principally by the straight-line method. From the fiscal year ended March 31, 2015, the Company and its domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment (excluding leases) from the declining-balance method to the straight-line method. For details, please refer to Note 3 (Change of accounting policies which is difficult to distinguish from change of accounting estimates).

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.

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.

Employees' retirement benefits and net defined benefit liabilities

The Company and certain domestic consolidated 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 calculated 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 the 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 allowance for employees' severance and retirement benefits at balance sheet dates based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at these dates. The estimated amount of all retirement benefits to be paid at future retirement dates is mainly allocated by the benefit formula basis (the estimated amount of all retirement benefits is allocated to periods of service under the plan's benefit formula). The Company has changed the method of attributing the projected benefits to periods of services from the straight-line method (the estimated amount of all retirement benefits is mainly allocated equally to each service year using the estimated number of total service years) to the benefit formula basis starting from the fiscal year ended March 31, 2015. For details, please refer to "3. Supplemental information, Changes in accounting policies in accordance with changes in accounting standards, etc." Prior service costs and actuarial differences are mainly recognized in the consolidated statements of income when they are incurred.

Certain domestic consolidated subsidiaries, which provide unfunded lump-sum payment plans and funded non-contributory pension plans, calculate net defined benefit liabilities and severance and retirement benefit expenses by using a simplified method.

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, 2015 and 2014 were ¥10,253 million ($85,326 thousand) and ¥11,881 million, respectively.

Income taxes

The Companies recognize the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting. The provision for income taxes is computed based on the 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

Changes in accounting policies

Changes in accounting policies in accordance with changes in accounting standards, etc.

The Company and certain domestic consolidated subsidiaries adopted article 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May17, 2012, hereinafter "Retirement Benefits Standard") and the main clause of Paragraph 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25,March 26, 2015, hereinafter "Retirement Benefits Guidance") from the year ended March 31, 2015, and have changed the determination of retirement benefit obligations and service costs. In addition, the Company and its domestic consolidated subsidiaries have changed the method of attributing expected benefit to periods from the straight line basis to a benefit formula basis and determining the discount rates.

In accordance with article 37 of Statement No. 26, the effect of the changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current fiscal year.

As a result of this application, net defined benefit liabilities increased by ¥1,672 million ($13,914 thousand) and retained earnings decreased by ¥1,076 million ($8,960 thousand). The effect of this application on operating income and income before income taxes and minority interests for the year ended March 31, 2015 was immaterial. Also, the effect of this application on net assets per share as of March 31, 2015 was immaterial.

Change of accounting policies which is difficult to distinguish from change of accounting estimates

From the year ended March 31, 2015, the Company and its domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment (excluding leases) from the declining-balance method (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) to the straight-line method.

The Companies have accelerated global business expansion and have established and reinforced overseas bases, and now more than half of our group companies are overseas. Many of these overseas consolidated subsidiaries calculate depreciation by the straight-line method. In this circumstance, we reviewed the depreciation methods to determine which method can appropriately reflect the current usage of facilities since capital investments on large production facilities were completed in the Company and its domestic subsidiaries in the year ended March 31, 2014. As a result, we concluded that adopting the straight-line method, the same method as in overseas subsidiaries, for property, plant and equipment held by the Company and its domestic consolidated subsidiaries, would reflect the usage more appropriately, expecting constant demand for domestic products and stable operations over usage period for main production facilities.

As a result of this change, for the year ended March 31, 2015, operating income and income before income taxes and minority interests each increased by ¥1,557 million ($12,962 thousand) compared to the previous method.

Unapplied accounting standards

Accounting standards for business combinations

"Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013)

"Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013)

"Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013)

"Revised Accounting Standard for Earnings per Share" (ASBJ Statement No. 2, September 13, 2013)

"Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013)

"Revised Guidance on Accounting Standard for Earnings per Share" (ASBJ Guidance No. 4, September 13, 2013)

(1) Summary

The above standards and guidance have been revised primarily to account for.

(a) How the changes of the shares in subsidiaries, over which the Company continues to control, should be treated by the Company when additional stock of a subsidiary is acquired.

(b) Treatment for acquisition related costs

(c) Presentation of current net income and the change of shareholder's equity from minority interests to non-controlling interests

(d) Provisional accounting for accounting treatments.

(2) Effective date

Effective from the beginning of the fiscal year ending March 31, 2016.

Provisional application of the accounting standards is scheduled to begin for business combinations effective after the beginning of the fiscal year ending March 31, 2016.

(3) Effects of the application of the standards

The Company and its domestic consolidated subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements

4. Inventories

Inventories as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2014 as of March 31, 2015	FY2013 as of March 31, 2014	FY2014 as of March 31, 2015
Merchandise and finished goods	¥ 13,267	¥ 11,849	$ 110,401
Semi-finished goods	3,870	3,449	32,207
Work in process	1,222	536	10,169
Raw materials and supplies	12,725	11,141	105,895
Total	¥ 31,084	¥ 26,977	$ 258,673

The amounts written down charged to cost of sales due to the decline in profitability of inventories held in the normal course of business were ¥70 million ($582 thousand) and ¥(99) million for the years ended March 31, 2015 and 2014, respectively.

5. Investment securities

The following tables summarized carrying amounts and acquisition costs of available-for-sale securities with available fair values as of March 31, 2015 and 2014:

	Millions of yen		
As of March 31, 2015	Carrying amount	Acquisition cost	Difference
Securities with carrying amounts exceeding acquisition costs:			
Equity securities	¥ 21,510	¥ 9,091	¥ 12,418
Debt securities	–	–	–
Others	–	–	–
Subtotal	21,510	9,091	12,418
Securities with carrying amounts not exceeding acquisition costs:			
Equity securities	¥ –	¥ –	¥ –
Debt securities	–	–	–
Others	–	–	–
Subtotal	–	–	–
Total	¥ 21,510	¥ 9,091	¥ 12,418

	Millions of yen		
As of March 31, 2014	Carrying amount	Acquisition cost	Difference
Securities with carrying amounts exceeding acquisition costs:			
Equity securities	¥ 18,221	¥ 8,752	¥ 9,468
Debt securities	–	–	–
Others	–	–	–
Subtotal	18,221	8,752	9,468
Securities with carrying amounts not exceeding acquisition costs:			
Equity securities	¥ 317	¥ 322	¥ (4)
Debt securities	–	–	–
Others	–	–	–
Subtotal	317	322	(4)
Total	¥ 18,538	¥ 9,075	¥ 9,463

As of March 31, 2015	Carrying amount	Acquisition cost	Difference
	Thousands of U.S. dollars		
Securities with carrying amounts exceeding acquisition costs:			
Equity securities	$ 179,000	$ 75,656	$ 103,344
Debt securities	–	–	–
Others	–	–	–
Subtotal	179,000	75,656	103,344
Securities with carrying amounts not exceeding acquisition costs:			
Equity securities	$ –	$ –	$ –
Debt securities	–	–	–
Others	–	–	–
Subtotal	–	–	–
Total	$ 179,000	$ 75,656	$ 103,344

6. Short-term debt and long-term debt

Short-term debt as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2014 as of March 31, 2015	FY2013 as of March 31, 2014	FY2014 as of March 31, 2015
Short-term bank loans	¥ 4,679	¥ 4,363	$ 38,942
Commercial paper	18,000	18,000	149,787
Total	¥ 22,679	¥ 22,363	$ 188,730

Annual average interest rates on short-term bank loans for the years ended March 31, 2015 and 2014 were 0.6%. Annual average interest rates on commercial paper for the years ended March 31, 2015 and 2014 were 0.1%.

Long-term debt as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2014 as of March 31, 2015	FY2013 as of March 31, 2014	FY2014 as of March 31, 2015
Unsecured loans from banks due through 2025	¥ 38,386	¥ 12,700	$ 319,437
Less amounts due within one year	(3,300)	(1,400)	(27,461)
Total	¥ 35,086	¥ 11,300	$ 291,976

Annual average interest rates on unsecured loans from banks (excluding amounts due within one year) for the years ended March 31, 2015 and 2014 were 0.5% and 0.9%, respectively. Annual average interest rates on amounts due within one year of unsecured loans from banks for the years ended March 31, 2015 and 2014 were 1.7%.

The annual maturities of long-term debt as of March 31, 2015 were as follows:

	Millions of yen	Thousands of U.S. dollars
FY2015 ending March 31, 2016	¥ 3,300	$ 27,461
FY2016 ending March 31, 2017	–	–
FY2017 ending March 31, 2018	3,001	24,976
FY2018 ending March 31, 2019	1	12
FY2019 ending March 31, 2020	6,185	51,470
FY2020 ending March 31, 2021 and thereafter	25,898	215,517
Total	¥ 38,386	$ 319,437

7. Employees' retirement benefits and net defined benefit liabilities

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

(1) Defined benefit plans

(a) Change in projected benefit obligation

	Millions of yen		Thousands of U.S. dollars
	FY2014 ended March 31, 2015	FY2013 ended March 31, 2014	FY2014 ended March 31, 2015
Balance at beginning of year	¥ 28,560	¥ 29,052	$ 237,667
Cumulative effects of changes in accounting policies	1,672	–	13,914
Restated balance	30,232	29,052	251,581
Service cost	1,487	1,208	12,377
Interest cost	407	591	3,390
Actuarial (gain)/loss	2,018	(497)	16,798
Benefits paid	(1,251)	(1,557)	(10,417)
Settlements, curtailments and terminations	–	(1,160)	–
Exchange difference	318	845	2,652
Others	3	78	32
Balance at end of year	¥ 33,216	¥ 28,560	$ 276,413

Note: The amount above is calculated using the simplified method.

(b) Change in plan assets

	Millions of yen		Thousands of U.S. dollars
	FY2014 ended March 31, 2015	FY2013 ended March 31, 2014	FY2014 ended March 31, 2015
Balance at beginning of year	¥ 26,706	¥ 23,820	$ 222,240
Expected return on plan assets	616	632	5,133
Actuarial gain/(loss)	1,825	1,671	15,190
Employer contributions	2,273	2,400	18,920
Benefits paid	(1,210)	(1,498)	(10,075)
Settlements, curtailments and terminations	–	(704)	–
Exchange difference	189	354	1,576
Others	23	31	195
Balance at end of year	¥ 30,424	¥ 26,706	$ 253,181

Note: The amount above is calculated using the simplified method.

(c) Reconciliation from retirement benefit obligations and plan assets to net defined benefit liabilities (assets) funded retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	FY2014 as of March 31, 2015	FY2013 as of March 31, 2014	FY2014 as of March 31, 2015
Funded projected benefit obligation	¥ 32,389	¥ 27,826	$ 269,533
Plan assets	(30,424)	(26,706)	(253,181)
	1,965	1,119	16,351
Unfunded projected benefit obligation	826	734	6,880
Net amount of liabilities and assets recognized in consolidated balance sheet	2,791	1,853	23,232
Net defined benefit liabilities	3,643	3,133	30,319
Net defined benefit assets	851	1,279	7,086
Net amount of liabilities and assets recognized in consolidated balance sheet	¥ 2,791	¥ 1,853	$ 23,232

Note: The amount above is calculated using the simplified method.

(d) Severance and retirement benefit expenses and its breakdown

	Millions of yen		Thousands of U.S. dollars
	FY2014 ended March 31, 2015	FY2013 ended March 31, 2014	FY2014 ended March 31, 2015
Service cost	¥ 1,487	¥ 1,208	$ 12,377
Interest cost	407	591	3,390
Expected return on plan assets	(616)	(632)	(5,133)
Net actuarial (gain)/loss amortization	(388)	(1,313)	(3,229)
Past service costs amortization	7	(23)	66
Others	(9)	56	(77)
Severance and retirement benefit expenses	¥ 888	¥ (113)	$ 7,392

(e) Remeasurements of defined benefit plans on other comprehensive income

The components of items recognized in remeasurements of defined benefit plans (pre-tax) on other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2014 ended March 31, 2015	FY2013 ended March 31, 2014	FY2014 ended March 31, 2015
Past service costs	¥ 0	¥ 20	$ 1
Actuarial gains/(losses)	(729)	864	(6,070)
Total	¥ (729)	¥ 884	$ (6,068)

(f) Remeasurements of defined benefit plans on accumulated other comprehensive income

The components of items recognized in remeasurements of defined benefit plans (pre-tax) on accumulated other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2014 as of March 31, 2015	FY2013 as of March 31, 2014	FY2014 as of March 31, 2015
Unrecognized past service costs	¥ (21)	¥ (21)	$ (176)
Unrecognized actuarial gains/(losses)	(1,658)	(929)	(13,802)
Total	¥ (1,679)	¥ (950)	$ (13,978)

(g) Plan assets

(i) Percentage by major category of plans assets was as follows:

	FY2014 as of March 31, 2015	FY2013 as of March 31, 2014
Bonds	59%	61%
Equities	36	34
Cash and deposits	2	2
Others	3	3
Total	100%	100%

Total plan assets include 12% and 13% of contribution of securities to retirement benefit trust in the corporate pension plan for the fiscal years ended March 31, 2015 and 2014, respectively.

(ii) Determination procedure of long-term expected rate of return on plan assets

In determining long-term expected rate of return on plan assets, the Companies consider the current and projected asset allocations, as well as current and future long-term rate of returns for various categories of the plan assets.

(h) Basis for calculation of actuarial assumptions

	FY2014 ended March 31, 2015	FY2013 ended March 31, 2014
Discount rates:		
Domestic companies	Mainly, 0.65%	Mainly, 1.41%
Overseas companies	Mainly, 3.50	Mainly, 4.25
Long-term expected rate of return on plan assets	Mainly, 2.40	Mainly, 2.40

(2) Defined contribution pension plans

The amount to be paid by certain consolidated subsidiaries to the defined contribution pension plans was ¥42 million ($350 thousands) and ¥18 million for the years ended March 31, 2015 and 2014, respectively.

8. 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 35.6% and 38.0% for the years ended March 31, 2015 and 2014.

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2014 as of March 31, 2015	FY2013 as of March 31, 2014	FY2014 as of March 31, 2015
Deferred tax assets:			
Tax loss carryforwards	¥ 2,490	¥ 4,721	$ 20,724
Tax credit	1,407	1,379	11,709
Provision for doubtful accounts	1,257	1,353	10,463
Net defined benefit liabilities	1,087	951	9,052
Excess bonuses accrued	810	825	6,745
Taxable retained income of certain overseas subsidiaries	615	854	5,117
Impairment loss	523	675	4,352
Accrued expenses	340	321	2,831
Shares contributed to employees' retirement benefit trust	328	361	2,729
Loss on devaluation of investment securities	233	259	1,943
Others	1,798	1,984	14,965
Subtotal	10,891	13,687	90,636
Valuation allowance	(3,590)	(3,915)	(29,875)
Total deferred tax assets	7,301	9,772	60,760
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	(3,774)	(3,137)	(31,408)
Additional depreciation in overseas subsidiaries	(3,000)	(2,884)	(24,971)
Gain on securities contributed to employees' retirement benefit trust	(517)	(570)	(4,308)
Deferred gains on property, plant and equipment	–	(1,674)	–
Others	(1,696)	(1,612)	(14,119)
Total deferred tax liabilities	(8,989)	(9,879)	(74,808)
Net deferred tax assets (liabilities)	¥ (1,688)	¥ (107)	$ (14,047)

The reconciliation between the applicable income tax rate in Japan and the Companies' average income tax rate in the consolidated statements of income for the years ended March 31, 2015 and 2014 was omitted because the difference between the applicable income tax rate in Japan and the Companies' average income tax rate in the consolidated statement of income was less than or equal to 5% of the applicable income tax rate in Japan.

(Revisions to amounts of deferred tax assets and deferred tax liabilities due to change in rate of income taxes)
On March 31, 2015, amendments to the Japanese tax regulations were enacted into law. Based on the amendments, the statutory income tax rates utilized for the measurement of deferred tax assets and liabilities expected to be settled or realized from April 1, 2015 to March 31, 2016 and on or after April 1, 2016 are changed from 35.6% for the fiscal year ended March 31, 2015 to 33.1% and 32.3%, respectively, as of March 31, 2015.

Due to these changes in statutory income tax rates, net deferred tax liabilities (after deducting the deferred tax assets) decreased by ¥114 million ($956 thousand) as of March 31, 2015, deferred income tax expense recognized for the fiscal year ended March 31, 2015 increased by ¥266 million ($2,219 thousand), evaluation differences of available-for-sale securities increased by ¥381 million ($3,175 thousand).

9. 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 25, 2015, the shareholders resolved to distribute cash dividends amounting to ¥1,204 million ($10,021 thousand). Such appropriations have not been accrued in the consolidated financial statements as of March 31, 2015. 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, 2015 and 2014 were as follows:

	Number of shares			
	April 1, 2014	Increase	Decrease	March 31, 2015
Outstanding shares issued:				
Common stock	262,952,394	–	–	262,952,394
Treasury stock	22,064,282	21,868	750	22,085,400

	Number of shares			
	April 1, 2013	Increase	Decrease	March 31, 2014
Outstanding shares issued:				
Common stock	262,952,394	–	–	262,952,394
Treasury stock	22,042,713	23,457	1,888	22,064,282

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, 2015 and 2014:

Year ended March 31, 2015

Cash dividends approved at the shareholders' meeting held on June 27, 2014:	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 $ 10,022	¥ 5.00 $ 0.04	March 31, 2014	June 30, 2014

Cash dividends approved at the Board of Directors' meeting held on October 31, 2014:	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 $ 10,022	¥ 5.00 $ 0.04	September 30, 2014	December 1, 2014

Year ended March 31, 2014

Cash dividends approved at the shareholders' meeting held on June 27, 2013:	Total amount (Millions of yen)	Per share amount (Yen)	Dividend record date	Effective date
Common stock	¥ 1,204	¥ 5.00	March 31, 2013	June 28, 2013

Cash dividends approved at the Board of Directors' meeting held on October 31, 2013:	Total amount (Millions of yen)	Per share amount (Yen)	Dividend record date	Effective date
Common stock	¥ 1,204	¥ 5.00	September 30, 2013	December 2, 2013

10. Cost of business restructuring

The cost of business restructuring for the years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	FY2014 as of March 31, 2015	FY2013 as of March 31, 2014	FY2014 as of March 31, 2015
Cost of restructuring laboratory	¥ 189	¥ 249	$ 1,579
Cost of restructuring of plant in North America	136	–	1,136
Loss on withdrawal of flexible printed circuit board business	–	80	–
Cost of carrier tape business restructuring	–	1	–
Others	0	–	0
Total	¥ 326	¥ 332	$ 2,716

11. Loss on disaster

The loss on disaster for the year ended March 31, 2015 are extinguishment loss on inventories and non-current assets, and removal and recovery costs from fire accident occurred at the subsidiary in Europe in February 2015.

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, 2015 and 2014:

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, 2015 and 2014. 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 some machinery and equipment and other assets 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, which was assessed based on an estimation for the year ended March 31, 2014.

			Millions of yen		Thousands of U.S. dollars
Use	Location	Type of assets	FY2014 ended March 31, 2015	FY2013 ended March 31, 2014	FY2014 ended March 31, 2015
Idle assets	Akita, Akita	Land	¥ 21	¥ 30	$ 177
Business-use assets	China	Machinery and equipment etc.	–	153	–
Total			¥ 21	¥ 184	$ 177

13. Other comprehensive income

Reclassification adjustments and tax effect amounts of other comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	FY2014 ended March 31, 2015	FY2013 ended March 31, 2014	FY2014 ended March 31, 2015
Valuation difference on available-for-sale securities			
Amount for the year	¥ 2,962	¥ 3,113	$ 24,653
Reclassification adjustment	–	–	–
Amount before tax effect adjustment	2,962	3,113	24,653
Tax effect amount	(637)	(1,022)	(5,300)
Valuation difference on available-for-sale securities	2,325	2,091	19,352
Foreign currency translation adjustments			
Amount for the year	14,956	12,410	124,457
Reclassification adjustment	–	–	–
Amount before tax effect	14,956	12,410	124,457
Tax effect amount	(10)	(36)	(84)
Foreign currency translation adjustment	14,945	12,373	124,372
Remeasurements of defined benefit plans			
Amount for the year	(786)	330	(6,541)
Reclassification adjustment	56	554	473
Amount before tax effect	(729)	884	(6,068)
Tax effect amount	258	(335)	2,148
Remeasurements of defined benefit plans	(471)	548	(3,919)
Share of other comprehensive income of associates accounted for using the equity method			
Amount for the year	35	(12)	295
Total other comprehensive income	¥ 16,835	¥ 15,000	$ 140,100

14. Cash flow information

Vaupell Holdings, Inc. was newly consolidated following the acquisition of shares in the year ended March 31, 2015. Major assets and liabilities as of the beginning of consolidation and summary of share acquisition cost and net expenses for the acquisition were as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 5,057	$ 42,085
Non-current assets	5,345	44,486
Goodwill	19,567	162,831
Current liabilities	(1,216)	(10,124)
Long-term liabilities	(457)	(3,810)
Stock acquisition cost	28,296	235,467
Other payable	(2)	(18)
Cash and cash equivalents	(302)	(2,519)
Difference: expenses required for acquisition	¥ 27,991	$ 232,929

15. Financial instruments and related disclosures

The information about financial instruments and related disclosures for the years ended March 31, 2015 and 2014 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 or exchange rates fluctuation risk. To hedge those risks, the Companies use interest rate swaps or interest rate currency swaps.

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

As of March 31, 2015	Carrying amount	Fair value	Difference
	Millions of yen		
Cash and deposits	¥ 49,966	¥ 49,966	¥ –
Trade notes and accounts receivable	44,766	44,766	–
Investment securities	21,510	21,510	–
Long-term loans receivable	5,166		
Provision for doubtful accounts	(3,245)		
	1,921	1,921	–
Total assets	¥ 118,164	¥ 118,164	¥ –
Trade notes and accounts payable	¥ 29,721	¥ 29,721	¥ –
Short-term debt and long-term debt due within one year	25,979	25,979	–
Long-term debt	35,086	35,197	110
Total liabilities	¥ 90,787	¥ 90,898	¥ 110
Derivative financial instruments	–	–	–

As of March 31, 2014	Carrying amount	Fair value	Difference
	Millions of yen		
Cash and deposits	¥ 41,341	¥ 41,341	¥ –
Trade notes and accounts receivable	41,932	41,932	–
Investment securities	18,538	18,538	–
Long-term loans receivable	4,629		
Provision for doubtful accounts	(3,046)		
	1,583	1,583	–
Total assets	¥ 103,397	¥ 103,397	¥ –
Trade notes and accounts payable	¥ 30,587	¥ 30,587	¥ –
Short-term debt and long-term debt due within one year	23,763	23,763	–
Long-term debt	11,300	11,328	28
Total liabilities	¥ 65,651	¥ 65,679	¥ 28
Derivative financial instruments	–	–	–

As of March 31, 2015	Carrying amount	Fair value	Difference
	Thousands of U.S. dollars		
Cash and deposits	$ 415,800	$ 415,800	$ –
Trade notes and accounts receivable	372,523	372,523	–
Investment securities	179,000	179,000	–
Long-term loans receivable	42,995		
Provision for doubtful accounts	(27,007)		
	15,988	15,988	–
Total assets	$ 983,312	$ 983,312	$ –
Trade notes and accounts payable	$ 247,324	$ 247,324	$ –
Short-term debt and long-term debt due within one year	216,191	216,191	–
Long-term debt	291,976	292,899	922
Total liabilities	$ 755,492	$ 756,415	$ 922
Derivative financial instruments	–	–	–

Note: Provision for doubtful accounts corresponding to long-term loans receivable is deducted.

(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 5.

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 principal 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. Certain long-term debt is subject to integral treatment for interest rate currency swaps and the total principal and interest for these swaps are also 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
	FY2014 as of March 31, 2015	FY2013 as of March 31, 2014	FY2014 as of March 31, 2015
Unlisted equity securities	¥ 756	¥ 754	$ 6,295
Investment securities: Unconsolidated subsidiaries and affiliates	2,300	1,005	19,143
Investment: Unconsolidated subsidiaries and affiliates	444	1,217	3,695
Total	¥ 3,501	¥ 2,977	$ 29,134

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, 2015

	Millions of yen			
As of March 31, 2015	Due in a year or less	1-5 years	5-10 years	Due after 10 years
Cash and deposits	¥ 49,966	¥ –	¥ –	¥ –
Trade notes and accounts receivable	44,766	–	–	–
Long-term loans receivable	–	660	500	246
Total	¥ 94,732	¥ 660	¥ 500	¥ 246

As of March 31, 2015	Thousands of U.S. dollars Due in a year or less	1-5 years	5-10 years	Due after 10 years
Cash and deposits	$ 415,800	$ –	$ –	$ –
Trade notes and accounts receivable	372,523	–	–	–
Long-term loans receivable	–	5,495	4,160	2,053
Total	$ 788,324	$ 5,495	$ 4,160	$ 2,053

Long-term loans receivable of ¥3,759 million ($31,285 thousand) was not included in the above schedule, because the repayment schedule was not be determined.

(d) Repayment schedule of long-term debt is described in Note 6 (Short-term debt and long-term debt).

16. Derivative financial instruments

The outstanding balances of derivative contracts as of March 31, 2015 and 2014 were as follows:
(1) Derivative contracts to which hedge accounting was not applied
As of March 31, 2014 and 2015
Not applicable.

(2) Derivative contracts to which hedge accounting was applied
(a) Currency related contracts

		Millions of yen		
		Contract amount		
As of March 31, 2015	Principal hedged items	Total	Due after one year	Fair value
Forward foreign exchange contracts				
Selling:	Trade accounts receivable			
USD		¥ 2,251	¥ –	(*)
Buying:	Trade accounts payable			
USD		500	–	(*)

		Millions of yen		
		Contract amount		
As of March 31, 2014	Principal hedged items	Total	Due after one year	Fair value
Forward foreign exchange contracts				
Selling:	Trade accounts receivable			
USD		¥ 1,698	¥ –	(*)

As of March 31, 2015	Principal hedged items	Thousands of U.S. dollars Contract amount Total	 Due after one year	 Fair value
Forward foreign exchange contracts				
Selling:	Trade accounts receivable			
USD		$ 18,736	$ –	(*)
Buying:	Trade accounts payable			
USD		4,167	–	(*)

Note:
(*)Forward foreign exchange contracts subject to allocation method are accounted for together with the trade accounts receivable and trade accounts payable, accordingly the fair value of the forward foreign exchange contracts is included in the fair value of the corresponding trade accounts receivable and trade accounts payable.

(b) Interest rate related contracts

As of March 31, 2015	Principal hedged items	Millions of yen Contract amount 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	¥ 8,000	¥ 8,000	(*)
Integral treatment for interest rate currency swaps: (Special treatment and allocation method)				
Receivable USD and floating rate/ payable YEN and fixed rate	Long-term debt	11,577	11,577	(*)

As of March 31, 2014	Principal hedged items	Millions of yen Contract amount 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, 2015	Principal hedged items	Thousands of U.S. dollars Contract amount 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	$ 66,572	$ 66,572	(*)
Integral treatment for interest rate currency swaps: (Special treatment and allocation method)				
Receivable USD and floating rate/ payable YEN and fixed rate	Long-term debt	96,342	96,342	(*)

Note:
(*)Interest rate swaps subject to the special treatment for interest rate swaps and interest rate currency swaps subject to integral treatment for interest rate currency 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 FY2014 ended March 31, 2015	 FY2013 ended March 31, 2014	U.S. dollars FY2014 ended March 31, 2015
Net assets per share	¥ 702.53	¥ 618.28	$ 5.84
Net income per share	29.53	26.96	0.24

Note: Diluted net income per share was not presented since potential shares did not exist for the years ended March 31, 2015 and 2014.

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

	Millions of yen or thousands of shares FY2014 ended March 31, 2015	 FY2013 ended March 31, 2014	Thousands of U.S. dollars FY2014 ended March 31, 2015
Net assets per share:			
Total net assets per consolidated balance sheets	¥ 170,949	¥ 150,344	$ 1,422,566
Net assets attributed to common shares	169,215	148,936	1,408,133
Differences-Minority interests	1,734	1,408	14,432
Number of common shares at the end of fiscal year used in computing net assets per share	240,866	240,888	
Net income per share:			
Net income	¥ 7,113	¥ 6,493	$ 59,195
Net income attributable to common shares	7,113	6,493	59,195
Average number of common shares during the year	240,877	240,899	

18. Business combination

(Business combination through acquisition)

(1) Outline of the business combination

(a) Name of the acquired company and its business

Name of the acquired company: Vaupell Holdings, Inc.

Business activities: Manufacturing and supplying aerospace interior components and medical devices

(b) Main reasons for the business combination

To enable the Company fully to enter the aerospace interior components field and deploy its medical devices business internationally, the Company acquired all of the outstanding shares of common shares of Vaupell Holdings, Inc. ("Vaupell") through Sumitomo Bakelite North America Holding, Inc., a consolidated subsidiary of the Company. In aerospace interior components business, Vaupell supplies many molding products and assemblies for all Boeing commercial aircraft platforms, while in the medical devices business, it provides plastic components to pre-eminent medical device manufacturers. Vaupell's joining the Companies will allow the Company to become an integrated supplier in the aerospace interior components business, providing diverse solutions that extend from raw materials to molding processes, painting and assembly. And in the medical devices business, it enables the Company to obtain Vaupell's technology, leverage its customer network to leading global medical companies and expand existing medical operations.

(c) Date of business combination

June 12, 2014

(d) Legal form of the business combination

Acquisition of shares by cash

(e) Name of the company after the business combination

Vaupell Holdings, Inc.

(f) Percentage share of voting rights the Company acquired

100%

(g) Main reason for determining the acquiring companies

Acquisition of shares for cash through Sumitomo Bakelite North America Holding, Inc., which is a subsidiary of the Company

(2) Period of acquired company's financial results included in the consolidated statements

From July 1, 2014 to March 31, 2015

(3) Acquisition cost of the acquired company

	Millions of yen	Thousands of U.S. dollars
Consideration for acquisition (cash and cash equivalents)	¥ 27,664	$ 230,210
Expenses directly related to acquisition	631	5,257
Acquisition cost	¥ 28,296	$ 235,467

As a part of the acquisition cost is unconfirmed, the amount is provisional.

(4) Amount of goodwill, reason for recognizing goodwill, amortization method and amortization period

(a) Amount of goodwill

¥19,567 million ($162,831 thousand)

As a part of the acquisition cost is unconfirmed, the amount is provisional.

(b) Reason for recognizing goodwill

As the acquisition cost exceeded the net amount of assets acquired and liabilities assumed, the excess amount was regarded as goodwill.

(c) Method and term to amortize goodwill

Straight-line method over 20 years

(5) Amounts of assets and liabilities acquired as of the date of the business combination

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 5,057	$ 42,085
Non-current assets	5,345	44,486
Total assets	10,403	86,571
Current liabilities	1,216	10,124
Long-term liabilities	457	3,810
Total liabilities	¥ 1,674	$ 13,934

(6) Estimated amounts and their calculation method of impact on the consolidated statements of income for the year ended March 31, 2015, assuming that the business combinations had been completed on the commencement date of the fiscal year

	Millions of yen	Thousands of U.S. dollars
Net sales	¥ 4,086	$ 34,008
Operating income	357	2,973

(Calculation method of approximate impact)

The estimated impact is calculated as the difference between the net sales and income assuming that the business combination had been completed at the beginning of the fiscal year and the actual net sales and income recorded in the Company's consolidated statements of income.

The amounts of approximate impact are unaudited.

19. Segment information

1. General information about reportable segments

Reportable segments of the Companies 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 three segments; Semiconductor materials, 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, Semiconductor substrate materials
High-performance plastics	Phenolic molding compounds, Phenolic resins for industrial use, Molded parts and molding dies, Synthetic resin adhesive, Phenolic resin copper-clad laminates, Epoxy resin copper-clad laminates, Aerospace interior components
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, Biotechnology related products

(Change of major products in reportable segment)

"Aerospace interior components," a product of Vaupell Holdings, Inc. and 4 of its affiliates which were newly included in the scope of consolidation from the fiscal year ended March 31, 2015, was included in "High-performance plastics."

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.

(Change of depreciation method for property, plant and equipment)

As stated in Note 3(Change of accounting policies which is difficult to distinguish from change of accounting estimates), from the fiscal year ended March 31, 2015, the Company and its domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment from the declining-balance method to the straight-line method.

As a result of this change, segment income increased by ¥436 million ($3,628 thousand) in "Semiconductor materials", by ¥259 million ($2,163 thousand) in "High-performance plastics", by ¥689 million ($5,738 thousand) in "Quality of life products", by ¥14 million ($121 thousand) in "Others" and by ¥157 million ($1,310 thousand) in "Adjustment", compared to the previous method.

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, 2015 and 2014 was as follows:

Year ended March 31, 2015	Reportable segments: Semi-conductor materials	Reportable segments: High-performance plastics	Reportable segments: Quality of life products	Reportable segments: Subtotal	Others	Total	Adjustment	Consolidated
	Millions of yen							
Sales:								
Outside customers	¥ 47,221	¥ 94,525	¥ 67,113	¥ 208,860	¥ 798	¥ 209,659	¥ –	¥ 209,659
Inter-segment	–	347	0	348	–	348	(348)	–
Total sales	47,221	94,873	67,114	209,208	798	210,007	(348)	209,659
Segment income	6,088	4,722	2,968	13,779	72	13,851	(2,947)	10,904
Segment assets	¥ 70,969	¥ 129,199	¥ 65,149	¥ 265,318	¥ 702	¥ 266,020	¥ 19,906	¥ 285,927
Other items:								
Depreciation and amortization	¥ 2,197	¥ 4,242	¥ 2,313	¥ 8,752	¥ 45	¥ 8,798	¥ 424	¥ 9,222
Amortization of goodwill	–	1,097	193	1,291	–	1,291	–	1,291
Investment amount for affiliates to which equity method is applied	–	344	–	344	–	344	–	344
Increase in property, plant and equipment and intangible assets	2,338	4,271	4,600	11,211	7	11,218	593	11,812

Year ended March 31, 2014	Reportable segments: Semi-conductor materials	Reportable segments: High-performance plastics	Reportable segments: Quality of life products	Reportable segments: Subtotal	Others	Total	Adjustment	Consolidated
	Millions of yen							
Sales:								
Outside customers	¥ 53,223	¥ 87,511	¥ 64,559	¥ 205,294	¥ 753	¥ 206,047	¥ –	¥ 206,047
Inter-segment	–	401	0	401	–	401	(401)	–
Total sales	53,223	87,913	64,560	205,696	753	206,449	(401)	206,047
Segment income (loss)	6,213	4,456	3,537	14,207	(0)	14,206	(3,504)	10,702
Segment assets	¥ 67,795	¥ 97,014	¥ 53,528	¥ 218,338	¥ 766	¥ 219,104	¥ 17,720	¥ 236,825
Other items:								
Depreciation and amortization	¥ 3,196	¥ 4,226	¥ 2,893	¥ 10,316	¥ 93	¥ 10,409	¥ 508	¥ 10,918
Amortization of goodwill	–	415	–	415	–	415	–	415
Investment amount for affiliates to which equity method is applied	–	219	–	219	–	219	–	219
Increase in property, plant and equipment and intangible assets	4,741	4,437	3,411	12,590	14	12,604	658	13,263

Year ended March 31, 2015	Reportable segments: Semi-conductor materials	Reportable segments: High-performance plastics	Reportable segments: Quality of life products	Reportable segments: Subtotal	Others	Total	Adjustment	Consolidated
	Thousands of U.S. dollars							
Sales:								
Outside customers	$ 392,955	$ 786,599	$ 558,488	$ 1,738,043	$ 6,648	$ 1,744,692	$ –	$ 1,744,692
Inter-segment	–	2,892	4	2,896	–	2,896	(2,896)	–
Total sales	392,955	789,491	558,492	1,740,939	6,648	1,747,588	(2,896)	1,744,692
Segment income	50,663	39,296	24,704	114,664	604	115,268	(24,524)	90,744
Segment assets	$ 590,574	$ 1,075,136	$ 542,146	$ 2,207,857	$ 5,844	$ 2,213,701	$ 165,655	$ 2,379,357
Other items:								
Depreciation and amortization	$ 18,283	$ 35,301	$ 19,248	$ 72,833	$ 379	$ 73,213	$ 3,529	$ 76,743
Amortization of goodwill	–	9,136	1,612	10,748	–	10,748	–	10,748
Investment amount for affiliates to which equity method is applied	–	2,863	–	2,863	–	2,863	–	2,863
Increase in property, plant and equipment and intangible assets	19,463	35,548	38,282	93,294	58	93,353	4,942	98,295

Notes:

1. "Others" for the years ended March 31, 2015 and 2014 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 ¥(2,947) million ($(24,524) thousand) and ¥(3,504) million listed as an "Adjustment" to "Segment income (loss)" include ¥(3) million ($(25) thousand) and ¥(5) million of elimination of inter-segment transactions and ¥(2,944) million ($(24,499) thousand) and ¥(3,498) million of corporate expenses not allocated to any reportable segment for the years ended March 31, 2015 and 2014, respectively.

   Included in the ¥19,906 million ($165,655 thousand) and ¥17,720 million listed as an "Adjustment" to "Segment assets" are ¥(38) million ($(322) thousand) and ¥(44) million of elimination of inter-segment transactions and ¥19,945 million ($165,978 thousand) and ¥17,765 million of corporate assets not allocated to any reportable segment as of March 31, 2015 and 2014, respectively. Corporate assets principally consist of investment securities, basic research assets and general and administrative division assets held by the Company.

   The ¥593 million ($4,942 thousand) and ¥658 million listed as an "Adjustment" to "Increase in property, plant and equipment and intangible assets" for the years ended March 31, 2015 and 2014, 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, 2015 and 2014 were as follows:

(a) Sales

Millions of yen					
Year ended March 31, 2015					
	Asia				
Japan	China	Others	North America	Europe and others	Total
¥ 87,662	¥ 31,949	¥ 43,490	¥ 27,000	¥ 19,556	¥ 209,659

Millions of yen					
Year ended March 31, 2014					
	Asia				
Japan	China	Others	North America	Europe and others	Total
¥ 88,462	¥ 32,014	¥ 49,391	¥ 17,387	¥ 18,792	¥ 206,047

Thousands of U.S. dollars					
Year ended March 31, 2015					
	Asia				
Japan	China	Others	North America	Europe and others	Total
$ 729,485	$ 265,869	$ 361,908	$ 224,689	$ 162,740	$ 1,744,692

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, 2015					
	Asia				
Japan	China	Others	North America	Europe	Total
¥ 51,424	¥ 16,697	¥ 7,230	¥ 8,008	¥ 9,337	¥ 92,698

Millions of yen					
Year ended March 31, 2014					
	Asia				
Japan	China	Others	North America	Europe	Total
¥ 53,022	¥ 12,703	¥ 6,137	¥ 5,614	¥ 9,948	¥ 87,426

Thousands of U.S. dollars					
Year ended March 31, 2015					
	Asia				
Japan	China	Others	North America	Europe	Total
$ 427,930	$ 138,948	$ 60,170	$ 66,643	$ 77,701	$ 771,394

(2) Impairment loss of property, plant and equipment

Impairment loss of property, plant and equipment by reportable segments for the years ended March 31, 2015 and 2014 was as follows:

	Millions of yen						
	Reportable segments						
Year ended March 31, 2015	Semi-conductor materials	High-performance plastics	Quality of life products	Subtotal	Others	Elimination or corporate	Total
Impairment loss	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 21	¥ 21

	Millions of yen						
	Reportable segments						
Year ended March 31, 2014	Semi-conductor materials	High-performance plastics	Quality of life products	Subtotal	Others	Elimination or corporate	Total
Impairment loss	¥ 18	¥ 135	¥ –	¥ 153	¥ –	¥ 30	¥ 184

	Thousands of U.S. dollars						
	Reportable segments						
Year ended March 31, 2015	Semi-conductor materials	High-performance plastics	Quality of life products	Subtotal	Others	Elimination or corporate	Total
Impairment loss	$ –	$ –	$ –	$ –	$ –	$ 177	$ 177

"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, 2015 and 2014 were as follows:

	Millions of yen						
	Reportable segments						
Year ended March 31, 2015	Semi-conductor materials	High-performance plastics	Quality of life products	Subtotal	Others	Elimination or corporate	Total
Goodwill:							
Amortization	¥ –	¥ 1,097	¥ 193	¥ 1,291	¥ –	¥ –	¥ 1,291
Unamortized balance	–	22,747	5,312	28,060	–	–	28,060
Negative goodwill:							
Amortization	–	–	–	–	–	–	–
Unamortized balance	–	–	–	–	–	–	–

	Millions of yen						
	Reportable segments						
Year ended March 31, 2014	Semi-conductor materials	High-performance plastics	Quality of life products	Subtotal	Others	Elimination or corporate	Total
Goodwill:							
Amortization	¥ –	¥ 415	¥ –	¥ 415	¥ –	¥ –	¥ 415
Unamortized balance	–	4,404	–	4,404	–	–	4,404
Negative goodwill:							
Amortization	–	–	52	52	–	–	52
Unamortized balance	–	–	–	–	–	–	–

	Thousands of U.S. dollars						
	Reportable segments						
Year ended March 31, 2015	Semi-conductor materials	High-performance plastics	Quality of life products	Subtotal	Others	Elimination or corporate	Total
Goodwill:							
Amortization	$ –	$ 9,136	$ 1,612	$ 10,748	$ –	$ –	$ 10,748
Unamortized balance	–	189,294	44,209	233,504	–	–	233,504
Negative goodwill:							
Amortization	–	–	–	–	–	–	–
Unamortized balance	–	–	–	–	–	–	–

20. Related party transactions

Related party transactions for the fiscal year ended March 31, 2015
Not applicable.

Related party transactions for the fiscal year ended March 31, 2014 were as follows:

Category	Company name	Location	Capital	Business activity	Ownership	Relationship with the relevant party	Details of the transaction	Transaction amount (Millions of yen)	Account	Year-end balance (Millions of yen)
Subsidiary	Sumitomo Bakelite (Dongguan) Co., Ltd.	China	49,981 thousand RMB	Manufacturing and selling of molded parts	100% direct ownership	Two directors serving both companies	Underwriting of capital increase(*)	¥681	–	–

Notes:

1. From the beginning of the fiscal year ended March 31, 2015, Sumitomo Bakelite (Dongguan) Co., Ltd., which used to be an unconsolidated subsidiary in previous fiscal years, was newly included in the scope of consolidation due to its increasing materiality.
2. The Company has underwritten the entirely capital increase made by Sumitomo Bakelite (Dongguan) Co., Ltd.

21. Subsequent events

At the general meeting of shareholders held on June 25, 2015, retained earnings as of March 31, 2015, were resolved as follows:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends ¥5.0 ($0.04) per share	¥ 1,204	$ 10,021

Independent Auditor's Report

Sumitomo Bakelite Company Limited and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

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, 2015 and 2014, and the consolidated statements of income and statements 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 expressed in Japanese yen.

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, 2015 and 2014, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3 to the consolidated financial statements, from the year ended March 31, 2015, the Company and its domestic consolidated subsidiaries have changed their depreciation method for property, plant and equipment (excluding leases).

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2015 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.

June 25, 2015
Tokyo, Japan

Corporate Data

(As of March 31, 2015)

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.
Phone: +81-(0)3-5462-4111
Facsimile: +81-(0)3-5462-4873
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	6,747
Non-consolidated	2,121

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

Investor Information

(As of March 31, 2015)

Common Stock:

Stock trading unit	1,000 shares
Authorized	800,000,000 shares
Issued and outstanding	262,952,394 shares
Number of shareholders	16,276*
*Number of share trading unit holders included in above	11,907

Common Stock Listing:
The Tokyo 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
The Master Trust Bank of Japan, Ltd. (Trust Account)	11,262	4.28
Japan Trustee Services Bank, Ltd. (Trust Account)	9,657	3.67
Japan Trustee Services Bank, Ltd. (Trust Account 9)	7,707	2.93
State Street Bank and Trust Company 505223	4,679	1.78
CBNY-Government of Norway	4,374	1.66
Japan Trustee Services Bank, Ltd. (Retirement Payment Account of Sumitomo Mitsui Trust Bank, Limited)	4,366	1.66
Sumitomo Mitsui Banking Corporation	4,360	1.66
CMBL S.A. Re Mutual Funds	3,254	1.24
CBNY DFA Intl Small Cap Value Portfolio	2,895	1.10

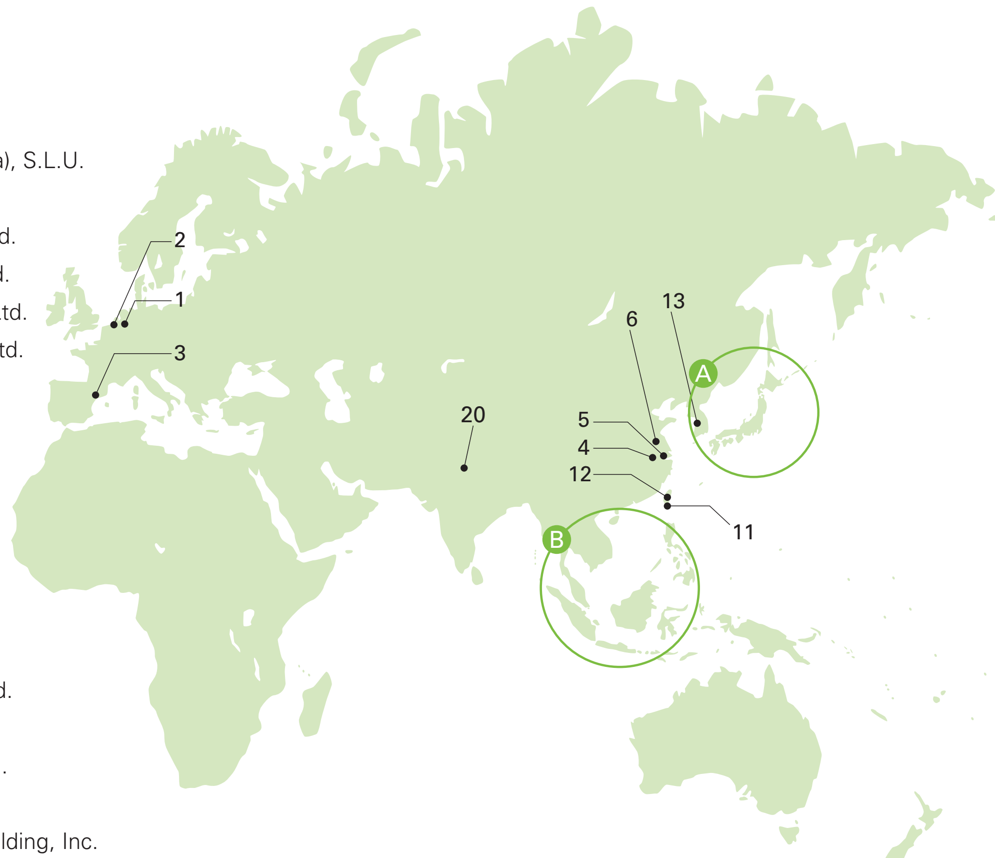
Notes: The Company holds 22,085 thousand shares of treasury stock, which are excluded from stock held by the principal shareholders listed above.

Global and Domestic Network

(As of June 25, 2015)

Overseas

1. N.V. Sumitomo Bakelite Europe S.A.
2. Vyncolit N.V.
3. Sumitomo Bakelite Europe (Barcelona), S.L.U.
4. Sumitomo Bakelite (Suzhou) Co., Ltd.
5. Sumitomo Bakelite (Shanghai) Co., Ltd.
6. Sumitomo Bakelite (Nantong) Co., Ltd.
7. Sumitomo Bakelite (Dongguan) Co., Ltd.
8. Sumitomo Bakelite Hong Kong Co., Ltd.
9. Basec Hong Kong Ltd.
10. Sumitomo Bakelite Macau Co., Ltd.
11. Sumitomo Bakelite (Taiwan) Co., Ltd.
12. Sumibe (Taiwan) Co., Ltd.
13. Sumibe Korea Co., Ltd.
14. SNC Industrial Laminates Sdn. Bhd.
15. P.T. Indopherin Jaya
16. P.T. SBP Indonesia
17. Sumitomo Bakelite Singapore Pte. Ltd.
18. Sumidurez Singapore Pte. Ltd.
19. Sumitomo Bakelite (Thailand) Co., Ltd.
20. SBE India Pvt. Ltd.
21. Sumitomo Bakelite North America Holding, Inc.
22. Sumitomo Plastics America, Inc.
23. Durez Corporation
24. Promerus LLC
25. Sumitomo Bakelite North America, Inc.
26. Vaupell Holdings, Inc.
27. Durez Canada Co., Ltd.



Head Office

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Aichi 465-0024, JAPAN
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Facsimile: +81-(0)52-726-8398

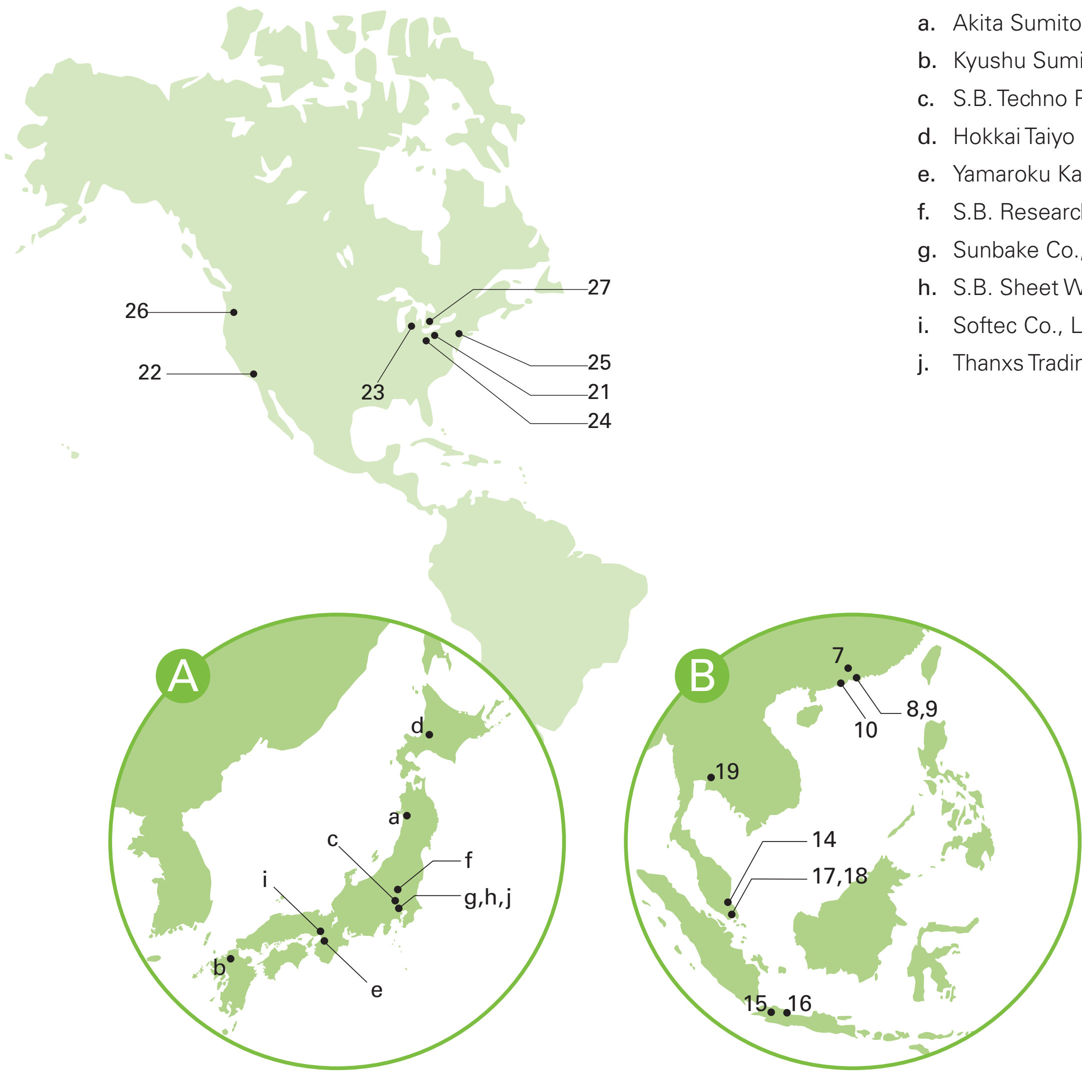
Kobe Facility Office
1-1-5 Murotani, Nishi-ku, Kobe,
Hyogo 651-2241, JAPAN
Phone: +81-(0)78-992-3900
Facsimile: +81-(0)78-992-3919

Laboratories

Corporate R&D Center
(Located at Kobe Facility Office and Utsunomiya Plant)

Corporate Engineering Center
(Located at Shizuoka Plant)

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



Domestic

a. Akita Sumitomo Bakelite Co., Ltd.
b. Kyushu Sumitomo Bakelite Co., Ltd.
c. S.B. Techno Plastics Co., Ltd.
d. Hokkai Taiyo Plastic Co., Ltd.
e. Yamaroku Kasei Industry Co., Ltd.
f. S.B. Research Co., Ltd.
g. Sunbake Co., Ltd.
h. S.B. Sheet Waterproof Systems Co., Ltd.
i. Softec Co., Ltd.
j. Thanxs Trading Co., Ltd.

Films & Sheets Research Laboratory
(Located at Amagasaki Plant)

Plates Research Laboratory
(Located at Kanuma Plant)

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

Plants

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

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

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

Utsunomiya Plant
20-7 Kiyohara-kogyodanchi, Utsunomiya,
Tochigi 321-3231, JAPAN
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SUMITOMO BAKELITE CO., LTD.