

April 25, 2019

To whom it may concern:

Company name: Sumitomo Bakelite Co., Ltd.
 Representative: Kazuhiko Fujiwara, President
 (Securities Code: 4203)
 Contact person: Noriyoshi Honda
 General Manager of Corporate General Affairs Div.

Notice of Revision of Financial Forecast and Recognition of Impairment Loss on Goodwill and Gain on Negative Goodwill

Sumitomo Bakelite Co., Ltd. (hereinafter, referred to as "the Company") announces today that it has revised its consolidated financial forecast for the fiscal year ended March 31, 2019, which was announced on November 12, 2018 after taking the Company's recent business performance trends into consideration. At the same time, the Company had recognized impairment loss on goodwill and gain on negative goodwill.

1. Revision of Financial Forecast

(1) Revised consolidated financial forecast for the fiscal year ended March 31, 2019

(April 1, 2018 to March 31, 2019)

	Revenue (Millions of yen)	Business profit (Millions of yen)	Profit attributable to owners of parent (Millions of yen)	Basic earnings per share (Yen)
Previous forecast (A)	220,000	20,000	14,500	308.10
Revised forecast (B)	212,900	17,200	15,000	318.73
Amount of change (B-A)	(7,100)	(2,800)	500	
Rate of change (%)	(3.2)	(14.0)	3.4	
(Reference) Actual results for the fiscal year ended March 31, 2018	211,819	19,251	15,078	320.36

[Notes]

- "Business profit" is calculated by deducting "Cost of sales" and "Selling, general and administrative expenses" from "Revenue."
- As the share consolidation of each 5 shares of common shares into 1 share was exercised effective on October 1, 2018, basic earnings per share is calculated on the assumption that the share consolidation had been exercised on April 1, 2017.

(2) Reasons for the revision

Consolidated financial forecast for the fiscal year ended March 31, 2019 has been revised downward due to the revealing of economic slowdown along with the US-China trade conflict after summer season, severe market conditions for smartphones, and slowdown of the auto-related market growth in China and Europe. Revenue in semiconductor sector for the final quarter had especially decreased since the Company announced the previous forecast and accordingly, business profit is prospected to be lower than previously assumed.

Besides, impairment loss on goodwill and gain on negative goodwill had been recognized as mentioned on following "2. Recognition of Impairment Loss on Goodwill" and "3. Recognition of Gain on Negative Goodwill."

2. Recognition of Impairment Loss on Goodwill

Impairment loss on goodwill held by the subsidiaries, Sumitomo Bakelite Europe (Barcelona), S.L.U. and Vaupell Holdings, Inc., had been recognized at approximately 2.3 billion yen as "Other expenses" for the fiscal year ended March 31, 2019 due to the recoverable amount as discount cash flow being lower than the carrying amount of cash-generating unit including goodwill after considering the recoverability based on the recent business plan.

3. Recognition of Gain on Negative Goodwill

The Company had concluded capital and business alliance agreement with Kawasumi Laboratories, Inc. on March 20, 2019 and acquired 4,762,980 shares of its common shares (23.10% of total number of issued shares excluding treasury shares) from its existing shareholders on March 26, 2019.

Kawasumi Laboratories, Inc. has been included as one of equity method applied affiliates on the acquisition date and the Company had recognized gain on negative goodwill at approximately 4.9 billion yen as "Share of profit of investments accounted for using equity method" due to the Company's equity in the net asset at market value of Kawasumi Laboratories Inc. being higher than the acquisition cost.

END