

## **Sumitomo Chemical to Establish Production Base for IT-related Materials in Wuxi, China.**

Tokyo: July 20, 2004 — Sumitomo Chemical Company, Ltd. today announced that it would establish a new company, Sumika Electronic Materials (Wuxi) Co., Ltd. that will manufacture IT-related materials in Wuxi, People's Republic of China.

IT-related materials, particularly materials for liquid crystal displays (LCDs), are a core business for Sumitomo Chemical. With demand for such materials greatly increasing in Asia, the company is moving swiftly to expand and strengthen production bases throughout the region. In China, where demand is expected to rapidly increase, the company has been studying enhancement of local production in terms of location, volume and scope of products to be manufactured. Sumitomo recently decided to build a new plant for IT-related materials in Wuxi, signing an agreement on July 13, 2004 with the city's Land Resource Office to acquire land-use rights to about 407,000 square meters in a high-tech industrial development zone. Wuxi, one of the major cities to experience sustained growth in the Yangtze Delta region, is connected by road and rail to major cities like Shanghai, Suzhou, and Changzhou. The region has attracted many companies in the IT sector, with further influx expected. With Sharp Corporation and several other major customers of Sumitomo Chemical establishing operations in the city, the new production base will enable Sumitomo to provide better support services to its customers as well as a quick product deliveries, thereby serving as an important base for expanding Sumitomo's IT-related business in the Chinese market.

The new company will be incorporated by late July, and plant construction will begin as soon as the government permits are obtained. The initial phase will involve construction of plants for manufacturing light guide plates for LCDs (capacity 5,000 tons per year) and polarizing film (10 million sheets per month). These plants are expected to come on stream in summer 2005.

With the demand for LCD panels increasing rapidly in China, Sumitomo Chemical plans to gradually raise production capacity of polarizing films. In addition, it is expected that a new plant will be built in 2–3 years to produce raw roll materials for polarizing films to meet demand for larger sized LCD panels. With regard to light guide plates, the plant capacity will be increased in tandem with expected growth in demand, with the construction of the second plant slated to begin immediately upon the completion of the first plant.

Given the fast-expanding demand in China's LCD market, the new company will gradually broaden its product line to offer a wider range of materials for LCD production. Future activities of the company call for adding manufacture of color filters and, more broadly, playing a larger role as a center for product development tailored to customer needs as well

as a hub for logistics operation in China. Sumitomo Chemical envisions making the Wuxi operations into a strategic base for its IT-related materials business in the country.

Sumitomo Chemical already has a polarizing-film plant in Shanghai, operated by its subsidiary, Sumika Electronic Materials (Shanghai) Co., Ltd. With labor costs rising, staff recruitment proving difficult, and room for future expansion limited, the company plans to gradually transfer production to Wuxi and have the Shanghai operation focus on product development as well as sample manufacture and small-lot production.

With the establishment of this new base in China, together with existing operations in Japan, South Korea, and Taiwan, Sumitomo Chemical will be able to respond more flexibly to the rapidly expanding demand for LCD-related materials throughout Asia and serve customers in the region in a timely and efficient manner. The company intends to capitalize on this new capability to the fullest extent to expand its core operations in IT-related materials.

### *The new company in brief*

1. Name:

Sumika Electronic Materials (Wuxi) Co., Ltd.

2. Establishment:

End of July, 2004 (scheduled)

3. Capital:

US\$9 million, initially (approx ¥1 billion)

Capital to increase gradually to US\$73 million (¥80 billion) within initial three years

4. Production capacity

- Phase I (summer 2005):

Light guide plates: 5,0000 tons/year

Polarizing film: 10 million sheets/month

- Phase II (after summer 2006):

Light guide plates: 10,0000 tons/year

Polarizing film: 35 million sheets/month

5. Staff:

Approximately 300 (as of summer 2005)

6. President:

Kenichi Miyatake