

Sumitomo Chemical reinforces IT-related chemicals business

Sumitomo Chemical Company will continue to undertake a number of measures vigorously to expand and reinforce its Liquid Crystal Display (LCD) materials business, a core business within the company's IT-related Chemicals Sector

While current demand for LCD materials has not regained its strength yet owing to weaker market conditions, inventory adjustment, etc., significant demand growth is anticipated in the mid to long-term, particularly for uses in wide-screen TVs. Because of such promising prospects, the company is enhancing its efforts, as outlined below, to attain solid growth of business by increasing cost competitiveness and accelerating R&D programs as well as strengthening customer services.

I. Color Filters Business

1. A New Manufacturing Facility for Sumika Technology Co., Ltd. in Taiwan

In response to a strong request from one of the company's Taiwanese customers, Sumika Technology, a Sumitomo Chemical's subsidiary in Taiwan, will build a new manufacturing facility in the existing clean room of that customer's plant as follows:

- Location: Hsinchu Science Park
- Capacity: 50,000 sheets per month (2nd generation size)
- Date of Completion: September 2005
- Investment: Approximately 5 Billion yen

At present Sumitomo's another subsidiary in Japan, New STI Technology Co., Ltd., manufactures and delivers all color filter requirements of the Taiwanese customer from Japan. The local production in Taiwan, which does not require large investment as existing facilities can be effectively utilized, will significantly reduce overall costs and enable Sumitomo Chemical to be far better positioned for future growth in demand. As a result of this arrangement, New STI Technology will become able to have additional capacity to meet the increasing demand of its customers both in Japan and overseas.

2. Production Capacity Expansion at Dongwoo STI Co., Ltd. in Korea

Dongwoo STI, a Sumitomo's subsidiary, currently operates two 5th generation color filter plants in Korea with a combined production capacity of 120,000 sheets per month. With a small investment aimed at increasing productivity and eliminating bottlenecks, output capacity will increase to 160,000 sheets by the summer of this year. The capacity expansion will boost cost competitiveness and allow the company to supply increasing demand from customers.

II. Polarizing Film Business

Sumitomo Chemical is expanding production capacities of existing plants and reinforcing its regional business bases. Both in Korea and Taiwan, a second plant for polarizing film raw roll production is under construction, with completion scheduled for March of this year. Once the new plants are brought on stream, Sumitomo Chemical's total production capacity of raw roll films will increase substantially from 15 million square meters to 26 million square meters per year, making the company better able to meet the expected growth in demand for wide-screen TVs.

Moreover, in light of the rapid growth of market in China, the company is constructing a film chip-cut processing facility in Wuxi, which is due to complete in July of this year. Furthermore, given the steady increase in demand also for small and medium-sized color TVs, the company is in the process of establishing a new subsidiary in Hong Kong shortly as a chip-cut centre in China's Hua-Nan region, an area where growth in demand is particularly strong.

In addition, the following measures are being taken to accelerate R&D, augment quality control capability, and raise cost competitiveness.

a. Research enhancement at IT-Related Chemicals Research Laboratory

A new research laboratory is under construction in the company's Ehime Works (Ohe district), adjacent to the film production plant, as below.

- Date of Completion: April 2005
- Investment: 1 Billion yen

The new laboratory will integrate research teams that are presently located in Osaka and Ehime separately. Furthermore, the number of researchers will be increased and research equipment reinforced to enhance the overall research capabilities

b. New Construction of a Quality Control Center and a Coating Plant, and Introduction of a New Online Production Management System

Sumitomo Chemical is newly constructing a quality control center and a coating plant as well as introducing a new production management system. These undertakings will be completed by the fall of this year, with the total investment of approximately 3 billion yen. Once all the work is finished, the company is capable of integrated production covering all stages from raw roll material manufacture to chip-cut. These efforts will greatly contribute to improving customer satisfaction through

improved quality assurance, shorter delivery time, and stronger cost advantage.

The quality control center will be equipped with a brand-new clean room and high precision product testing equipment to prevent any defective materials or product in process from mingling into steps that follow.

Additionally, the coating process that is currently operated by Lintec Corporation in their Shingu plant in Hyogo, Japan will be relocated to an area adjacent to Sumitomo's film production facility in Ehime Works to reduce production lead-time and improve quality control capabilities. While the coating work itself will continue to be entrusted to Lintec, its operation will be strictly controlled in accordance with Sumitomo Chemical's production management standard. To satisfy the standard, investments will be made to reinforce the clean room and other infrastructures.

The new online production management system will enable the company to track the process from the stage of order acceptance to product shipment, and make it possible to look up immediately and at any time the status of production, materials supply, product inventories, etc. The new system will therefore allow for inventory reduction, shortening of production lead-time, and a timely response to customer requests.

- III. A New Research Laboratory for Dongwoo Fine-Chem Co., Ltd.
A new research laboratory is under construction at Dongwoo Fine-Chem Co. in Iksan, Korea.
- Date of Completion: April 2005
 - I Investment: Approximately 5 Billion yen

With the new laboratory, the company will be able to strengthen its research on materials for LCDs (color pigment resists, etchants), photoresists for semiconductors (mainly krypton fluoride), and resists for LCDs.

Sumitomo Chemical has designated the IT-related chemicals business as one of the company's three core businesses and is bolstering efforts to fortify its operational base for future growth. The company expects that consolidated sales of the IT-related Chemicals Sector will be 185 billion yen for fiscal 2004, 230 billion yen for fiscal 2005, and 250 billion yen for fiscal 2006, the last year of its ongoing Three-Year Corporate Business Plan.