

January 10, 2012

Sumitomo Chemical Sells Its Stake in Chiba Styrene Monomer Limited Company

Sumitomo Chemical announced that it has reached an agreement with Denki Kagaku Kogyo Kabushiki Kaisha (Denka) on the transfer to Denka of Sumitomo Chemical's entire equity holding in Chiba Styrene Monomer Limited Company (CSM), a joint venture between the two companies established for the manufacture of styrene monomer.

Sumitomo Chemical currently holds a 40% stake in the joint venture, along with a right to off-take the corresponding proportion of styrene monomer manufactured. Upon completion of the share transfer at the end of April this year, Sumitomo Chemical will cease to have such off-take right.

Styrene monomer purchased from CSM has been distributed through Sumitomo Chemical's affiliated company, Nihon Oxirane Co., Ltd. (NOC) that also sells styrene monomer manufactured at its own plant. In recent years, the business environment of styrene monomer has become increasingly challenging due to the easing of global supply-demand balance resulting from sluggish demand in Europe and the United States as well as capacity expansions in China, the Middle East and elsewhere in the world. The situation is even more severe for styrene monomer exporters in Japan, where the appreciation of the yen has affected significantly the price-competitiveness of exported styrene monomer.

Given this business environment, and based on the product's market outlook, Sumitomo Chemical has decided to sell its stake in CSM while at the same time working to build a solid earnings base for the styrene monomer business of Sumitomo Chemical Group. Upon the withdrawal from CSM, the Group's styrene monomer business will be centered exclusively on NOC. Sumitomo Chemical aims to improve the profitability of the Group's styrene monomer business by streamlining its operation in a manner to meet demand developments in Japan and overseas.

Overview of CSM

Company name: Chiba Styrene Monomer Limited Company
Head office: 2-1-1 Muromachi, Nihonbashi, Chuo-ku, Tokyo
President: Shinsuke Yoshitaka (Denki Kagaku Kogyo Kabushiki Kaisha
President and Representative Director, Chief Executive Officer)
Established: January 1992
Paid-in capital: 2 billion yen
Business: Manufacture and sale of styrene monomer
Ownership: Denki Kagaku Kogyo Kabushiki Kaisha: 60%,
Sumitomo Chemical Co., Ltd.: 40%
Capacity: 270,000 tons/yr. (each parent company has off-take rights
proportional to its equity interest)