

Sumitomo Chemical Restructures Its Paper Finishing Resins Business

Tokyo, March 11, 2004 — Sumitomo Chemical Company, Limited today announced its decision to transfer its paper finishing resins business to its affiliate, Taoka Chemical Co., Ltd., effective at the end of this year.

Paper finishing resins encompass a variety of synthetic resins that are used in the paper-manufacturing process to improve the strength and printability of paper. Sumitomo Chemical possesses extensive expertise in resin designing and related technologies and has built its paper finishing resins business on these distinctive technological strengths. With the widely spreading use of IT-related equipment and the advancement of materials recycling initiatives, customers' requirements for the performance of finishing resins have become increasingly diverse. Given the circumstances, the capability to quickly meet such diverse needs from the market is a critical element for success in business development. To respond flexibly to the evolving needs of customers while fully exploiting the company's technological strengths, Sumitomo Chemical has decided that the paper finishing resins business can be best conducted by Taoka Chemical, which specializes in the business of fine chemicals.

Taoka Chemical has been undertaking, among other things, contract manufacture of some grades of paper finishing resins for Sumitomo Chemical. In conjunction with the transfer of the business, a brand-new dedicated production facility will be constructed at Taoka Chemical's Harima Works in Hyogo Prefecture, enabling the company to respond closely to the specific needs of customers. Sumika Chemtex Co., Ltd., which currently acts as Sumitomo Chemical's sales agent for these products, will continue to do so after the business transfer, thereby maintaining a solid relationship with customers.

Sumitomo Chemical recently announced its three-year corporate business plan covering the 2004-2006 fiscal years, which was formulated based on a vision of what the company should look like in ten years. Under the plan, the company intends to build an optimal business portfolio by grouping each of its business units into one of three categories: businesses it plans to grow; businesses for which the emphasis will be on improved profitability rather than growth; and businesses that need restructuring. Today's decision is in line with this new business plan under which Sumitomo Chemical will strengthen the business base of paper finishing resins by restructuring its operations.

Overview of Companies

Taoka Chemical Co., Ltd.

Location:	Yodogawa-ku, Osaka
Capital:	¥1,572 million
President:	Toshiro Kato
Sales:	¥16.7 billion (FY2002)
Principal shareholders:	Sumitomo Chemical (51%) (listed on the 2nd Section of the Osaka Stock Exchange)

Main lines of business: Manufacture and sale of fine chemical intermediates, functional materials (dyestuffs, adhesives), etc.
Number of employees: Approximately 290

Sumika Chemtex Co., Ltd.

Location: Konohana-ku, Osaka
Capital: ¥80 million
President: Kazumi Okamura
Sales: ¥13.1 billion (FY2002)
Principal shareholders: Sumitomo Chemical (100%)
Main lines of business: Sale of dyestuffs, finishing resins, emulsions, engineering plastics, etc.
Number of employees: Approximately 60