

Sumitomo Chemical Pursues “Selection and Concentration” Strategy in IT-Related Chemicals Sector

Tokyo: June 3, 2004 --- Moving to implement the “Selection and Concentration” policy set forth in the company’s Three-Year Corporate Business Plan beginning fiscal 2004, Sumitomo Chemical will divest its epoxy resins business and strengthen the liquid crystal polymers production thereby more clearly focusing resources within the IT-related chemicals fields on display materials for electronic components. At the same time, the Company will initiate organizational changes to further enhance customer service, including quality assurance systems, and expand the capability of its IT-related Chemicals Research Laboratory.

(1.) In regard to operational restructuring:

1. The Company will increase the annual production capacity of liquid crystal polymers at its Ehime plant to 6,000 tons, or double the current capacity of 3,000 tons in two steps by the end of 2007. (Separately, the Company runs a plant of liquid crystal polymers with annual production capacity of 1,000 tons at Taoka Chemical Co.) This is in preparation for an expected substantial increase in global demand for liquid crystal polymers for use in devices such as bobbins for the backlights of liquid crystal televisions. Construction has already started for the initial phase of the plant expansion, which will raise annual capacity at the Ehime plant to 4,500 tons by the spring of 2005.
2. The Company will transfer its business of ortho-cresol novolac epoxy resins (Production capacity : 7,500 tons per year) for the encapsulation of semiconductors to ChangChun Plastics Co., one of the leading companies in the field, headquartered in Taipei, Taiwan. The transfer will include the full range of its technical expertise in the field. Personnel and other management resources engaged in this business will be utilized in the Company’s strategic business such as display materials.

(2.) In regard to organizational changes, the Company will create a new organization in July strengthening the company’s quality assurance system in the IT-related Chemicals Sector. At the same time, the name of a business division in the Sector will be changed as described below. The changes will promote its ability to provide material solutions that meet the expectations of customers and highlight priority business areas in acceleration of its policy of “Selection and Concentration.”

(newly created)

Quality Assurance Office
IT-related Chemicals Sector

(Present division name) Semiconductor Process Materials Division →
(New division name) Semiconductors & Display Materials Division

- (3.) In order to strengthen the research of optical functional films and accelerate development of component materials and processing technology and further promote customer-oriented research and development, the Company will construct a new research facility on the site of the Ehime Work by the spring of 2005. The plan includes the installation of the latest cutting-edge equipment for trial manufacture and product assessment and increase of research personnel by 50% during the period of the Three-Year Corporate Business Plan, enabling the Company to respond to the customers' needs in a precise and timely manner.

Sumitomo Chemical has been aggressively investing in color filters, optical functional films, photoresists, liquid crystal polymers, and other areas within the IT-related Chemicals Sector. In line with its Three-Year Corporate Business Plan, the Company will continue to promote its "material solutions business," focusing on the development of downstream products with higher added value. At the same time, the Company will allocate its management resources in the most optimal manner based on our "Selection and Concentration" policy and further strengthen its strategic and dynamic business development. The operational restructuring measures, organizational changes and initiatives to strengthen research capability described above will accelerate the Company's efforts to implement business to meet higher customer satisfaction.