

November 9, 2005

Sumitomo Chemical Strengthens Color Filter Operations

Sumitomo Chemical today announced plans to further strengthen its color filter operations by implementing a series of measures to boost cost efficiency and competitiveness. Color filters are now coming into widespread use for large-size liquid crystal displays (LCDs) for televisions and are also finding expanding applications in smaller LCD panels. This move will enable Sumitomo Chemical to meet the rapidly increasing demand and cope with falling prices.

1. New STI Technology, Inc. made a wholly owned subsidiary

New STI Technology, Inc. was founded in May 2000 as a joint venture with TECO, a Taiwan-based company, to undertake production and sales of color filters for LCDs, a core area of Sumitomo Chemical's IT-related Chemicals Business. While Sumitomo Chemical initially held a 40% equity share in New STI Technology, it has gradually increased its stake. On November 4, Sumitomo Chemical purchased TECO's remaining 6.7% share of the company, making it into a wholly owned subsidiary. Sumitomo Chemical is, moreover, considering absorbing New STI Technology in the first half of fiscal 2006 to create a new color-filter division. It is expected that the integration of the color filter business with optical film production at the Company's Ehime Works will generate much greater efficiencies.

2. Dongwoo STI and Dongwoo Fine-Chem to merge

Dongwoo STI Co., Ltd. (60% held by Sumitomo Chemical, 35% by New STI Technology, and 5% by Dongwoo Fine-Chem Co., Ltd.), which engages in manufacturing and sales of color filters in South Korea, will be absorbed by Dongwoo Fine-Chem in December of this year. Dongwoo Optical Materials Co, Ltd. and Dongwoo Fine-Chem already merged in October of this year, and the latest move will complete the process of consolidating Sumitomo Chemical's IT-related chemical operations in South Korea into a single corporate entity as a wholly-owned subsidiary of Sumitomo Chemical. Integrated operations will help streamline costs and permit more efficient use of financial and human resources, and technologies, allowing the company to respond with greater speed and flexibility to changing customer needs.

Along with these organizational alignments, Sumitomo Chemical is expanding its production capacity for color filters. In June of this year, capacity was increased from 120,000 to 160,000 sheets per month, with operations proceeding smoothly. Moreover, capacity will be further expanded to 200,000 sheets per month by May 2006.

3. Taiwan color-filter plant enters commercial operation

Sumika Technology Co., Ltd completed its new second-generation color-filter plant (capacity of 50,000 sheets per month) at Hsinchu, Taiwan and started commercial production in October. Products manufactured at this plant will gradually take the place of those exported from Japan. By freeing up capacity at the Ehime plant, the Company will become better able to respond to increases in demand within the Japanese market.