

February 1, 2013

## Sumitomo Chemical to Restructure Petrochemical Business at Chiba Works

Sumitomo Chemical has decided that it will close down an ethylene plant at its Chiba Works located in Ichihara, Chiba, Japan, in or before September 2015 when the next periodic shutdown maintenance will take place, to reinforce the competitiveness of its petrochemical operation at the Chiba Works, the Company's stronghold for petrochemical business in Japan.

After the closure of the ethylene plant, Sumitomo Chemical will procure necessary quantities of ethylene and other basic petrochemical feedstock by increasing purchases from Keiyo Ethylene Co. (Keiyo Ethylene), a joint venture among Maruzen Petrochemical Co. (Maruzen Petrochemical), Mitsui Chemicals Inc. (Mitsui Chemicals) and Sumitomo Chemical.

In recent years, Japan's petrochemical industry has constantly been faced with the difficult business environment due mainly to a decline in domestic demand and an increase in imports. This basic trend is expected not to change much in the years ahead. Given the situation, Sumitomo Chemical believes that its domestic petrochemical business can only be enhanced and stay sustainable by further curtailing costs and augmenting lines of higher value-added products.

Sumitomo Chemical's ethylene plant has been in operation for longer than 40 years now, and its competitiveness is falling behind in terms of energy efficiency, and maintenance and repair costs to be incurred. In addition, a decrease in domestic demand is growing conspicuous for some of general-purpose ethylene derivatives over the past years. In light of the aging of its ethylene plant and the structural changes taking place in domestic demand, Sumitomo Chemical has been examining various possible measures and opportunities to optimize the operation of its Chiba Works. As a result, as far as ethylene and other basic petrochemical feedstock are concerned, the Company has determined it most prudent to cease producing them by itself by the time of the next periodic shutdown maintenance of the Chiba Works and thereafter procure all of its requirements of ethylene and other basic petrochemical feedstock from Keiyo Ethylene, which operates the newest and largest production facilities in Japan. With respect to

such increased supply of ethylene and other basic petrochemical feedstock from Keiyo Ethylene, Sumitomo Chemical has agreed in principle with Maruzen Petrochemical and Mitsui Chemicals that Sumitomo Chemical's allocation of the supply will be raised to accommodate its requirements..

The closure of the ethylene plant will enable Sumitomo Chemical to procure ethylene and other basic petrochemical feedstock more efficiently while at the same time reducing fixed costs by streamlining related ancillary facilities.

Going forward, Sumitomo Chemical will continue to look into ways to optimize production facilities at the Chiba Works for some of the ethylene derivatives, including possibilities of plant closure. In a broader perspective, the Company will work to strengthen its entire global petrochemical business, including operations at production bases in Saudi Arabia and Singapore, along with the ongoing restructuring of the Chiba Works.

A possible impact of the ethylene plant closure on the Company's financial performance will be announced as soon as it becomes available.

(Outline of the ethylene plant at Sumitomo Chemical's Chiba Works)

Operation Start-up: January 1970

Ethylene production capacity: 415,000 tons a year (a year with no periodic shutdown maintenance)

(Outline of Keiyo Ethylene)

Name: Keiyo Ethylene Co., Ltd.

Paid-in Capital: 6 billion yen

Shareholdings: Maruzen Petrochemical 55%, Mitsui Chemicals 22.5%, Sumitomo Chemical 22.5%

Incorporation: September 1991

Operation Start-up: December 1994

Ethylene production capacity: 768,000 tons a year (a year with no periodic shutdown maintenance)