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Sumitomo Chemical to Establish Polypropylene Compound Operations in North China

Sumitomo Chemical Co., Ltd. (“the Company”) has recently decided to newly establish a base of operations for polypropylene (PP) compounds in the city of Dalian, Liaoning Province, China in order to further strengthen its PP business in China.

The Company has long been actively expanding its PP business globally and, with its bases of operation in Japan, Singapore, North America, and Saudi Arabia, currently has supply capabilities for a combined 2 million tons of PP annually. Meanwhile, the Company positions its PP compounds business as a mainstay of activities to strengthen its PP business, and, by taking maximum advantage of its globally available PP production capacity, has established bases of operation in South China, Europe, North America, Thailand, and Saudi Arabia, seeking to expand its PP compounds business.

PP compounds are high-performance materials made by kneading PP with synthetic rubber and inorganic fillers to improve such parameters as impact resistance and rigidity in accordance with their use for applications such as automobile bumpers and interiors. Due to the increasing production of automobiles as well as increasing per-unit consumption of PP compounds, continued high market growth is expected.

China’s strong economic growth has made it the world’s largest market for automobiles. To meet demand for PP compounds mainly from South China, Sumitomo Chemical and Toyo Ink (now Toyo Ink SC Holdings Co. Ltd.) established in 2005 the PP compounds joint venture Zhuhai Sumika Polymer Compounds Co., Ltd. (“Zhuhai Sumika Polymer”) in the city of Zhuhai, Guangdong Province. Zhuhai Sumika Polymer doubled its production capacity in 2008, and since then has been maintaining full-capacity operation, supported by booming demand for PP compounds. Meanwhile, in order to meet further increasing demand, and having explored the potential for expansion of its PP compounds business in the particularly rapidly growing North China region, the Company has decided to establish a new base of operations in Dalian, Liaoning Province. Dalian offers excellent advantages in logistics owing to its international trading port, and in addition, major automobile manufacturers have plans to establish operations there. It is also close to customers in the neighboring cities of Shenyang and Tianjin.

The new company, to be a joint venture with Zhuhai Sumika Polymer, will fully leverage

Zhuhai Sumika Polymer's experience of operating in China and its expertise to serve customers in the Japanese automobile industry as well as non-Japanese auto makers establishing operations in North China.

<Overview of the New Company>

- Company name: Sumika Polymer Compounds Dalian Co., Ltd. (tentative)
- Location: Jinzhou New Area, Dalian City, Liaoning Province, People's Republic of China
- Ownership: Sumitomo Chemical: 50%; Zhuhai Sumika Polymer: 50%
- Production capacity: 10,000 tons/yr.
- Incorporation: August 2011 (planned)

<Overview of Zhuhai Sumika Polymer>

- Company name: Zhuhai Sumika Polymer Compounds Co., Ltd.
- Location: Fushan Industry Area, Doumen County, Zhuhai City, Guangdong Province, People's Republic of China
- Ownership: Sumitomo Chemical: 55%; Toyo Ink SC Holdings: 45%
- Production capacity: 22,000 tons/yr.
- Incorporation: May 2005