Business Consolidation of Mitsui Chemicals and Sumitomo Chemical

---An Update on Concrete Studies about Polyolefin Business Integration, etc.---

Mitsui Chemicals, Inc.
Sumitomo Chemical Company, Ltd.

In November 2000, Mitsui Chemicals, Inc. (“Mitsui”) and Sumitomo Chemical Company, Ltd. (“Sumitomo”) announced their basic agreement to consolidate all the businesses of the two companies by around October 2003, pursuing “global leadership in the chemical industry of the 21st century” and to integrate the polyolefin businesses by around October 2001, preceding the entire business consolidation.

Since the announcement was made, Mitsui and Sumitomo have been vigorously carrying out thorough studies toward the business consolidation through a number of sub-committees formed under the Business Consolidation Study Committee headed jointly by the Presidents of both companies. The two companies are pleased to report the result of such studies including certain specifics regarding the ultimate entire business consolidation as well as an outline of the polyolefin business integration that will precede.

I. Entire Business Consolidation

The method, structure, etc. of the entire business consolidation is as summarized below:

1. Company Name
   Sumitomo Mitsui Chemical Company, Limited

2. Head Office
   Minato-ku, Tokyo (planned to be in Shiodome City Center)

3. Consolidation Timetable and Method
   After a Holding Company is formed on October 1, 2003 by means of joint share transfer, Mitsui, Sumitomo and Sumitomo Mitsui Polyolefin Company, Limited (hereinafter stated) will then be merged into the Holding Company at the end of March 2004 to establish a single entity
corporation. During this half-yearly transitional period, corporate service functions will be transferred to the Holding Company to finalize any outstanding arrangement for the business consolidation by commencing the operation of new schemes, systems, etc. to be adopted by the consolidated single entity.

4. Business Organization Structure

The organization that will be formed ultimately will have 7 internal companies, consisting of “Petrochemicals”, “Basic Chemicals”, “Specialty Polymers”, “Specialty Chemicals”, “IT & Electronic Materials”, “Agricultural Chemicals” and “Pharmaceuticals”. The internal company structure will enable a great diversity of businesses to be conducted flexibly according to the specific nature of respective businesses, with the responsibility and authority of business management and operation delegated to each company. In line with this organization, both Mitsui and Sumitomo will re-align their businesses by October 2003, which will then be fully consolidated into the single entity at the end of March 2004 (See Attachment 1).

5. Organization of Business Consolidation Study

Under the Business Consolidation Study Committee are formed 12 functional subcommittees such as financing/accounting, personnel/labor relations and information systems and 9 business subcommittees that correspond to the above internal company structure, etc. These subcommittees are carrying out concrete studies about the entire business consolidation (See Attachment 2).

6. Others

Other matters such as consolidation ratio, capital and senior management will be announced as soon as they are determined.

II. Consolidation of Polyolefin Businesses

Mitsui and Sumitomo will consolidate their polyolefin businesses in October this year by establishing a joint venture and transferring the businesses thereto. The two companies are currently in talks with the Japanese Fair Trade Commission and, upon clearance by the Commission, will initiate taking concrete steps for the joint venture formation.

The outline of the joint venture currently under study is as follows:

1. Company Name
   Sumitomo Mitsui Polyolefin Company, Limited
2. Head Office
   Tokyo Sumitomo Twin Building
   27-1, Shinkawa 2-chome, Chuo-ku, Tokyo

3. Business Commencement Date
   October 1, 2001

4. Initial Paid-in Capital (shareholding ratio)
   ¥ 7 billion (Sumitomo:Mitsui = 50:50)

5. Scope of Business to be transferred
   Polyethylene (LDPE, LLDPE, HDPE) and polypropylene (PP)

6. Production capacity (See Attachment 3)

7. Board members
   Other Directors 8 (4 from each of Mitsui and Sumitomo)
   Statutory Auditors 3 (1 from Mitsui and 2 from Sumitomo)
   Chairman Ryuichi Sonoda (Sumitomo Chemical)
   President Yoshiyuki Sakaki (Mitsui Chemicals)

The new polyolefin company has the fundamental mission to generate the
maximum possible consolidation synergies as early as possible by
integrating the two companies' polyolefin businesses throughout the world,
including their subsidiaries and affiliates, from every strategic perspective in
production, marketing and research.

The polyolefin company will eventually be merged into Sumitomo Mitsui
Chemical Company, Limited, upon the consolidation of all their businesses.
To avoid procedural complexities, both parent companies agreed to leave
intact at each company all of their production and research facilities as well
as shares held in their subsidiaries and affiliate. As a result, the new
company will entrust polyolefin production to both parent companies and
undertake research & development on its own with research facilities leased
from each parent company.

The new company organization will be structured as stated below, with the
cooperation of both parent companies, to yield the maximum possible
synergies in production, marketing and research.

- Production
   The new company will undertake by itself all production management
   such as production planning and will have the authority to decide
   investments and rationalization programs relating to production facilities.
- Marketing

The new company will strengthen the existing marketing networks of Mitsui and Sumitomo, both in Japan and abroad such as Singapore, Thailand and China, to better meet the needs of customers in the growing Asian market. The PP and PP compound businesses will be undertaken also in the U.S. and Europe.

- Research

The new company will formulate strategies relating to R&D and technology management, incorporating the polyolefin researches of both Mitsui and Sumitomo. Capitalizing on the extensive technical expertise and know-how of both companies in polyolefins, the new company will accelerate new resin development, such as metallocene catalyst-based polymers, to satisfy the sophisticated needs of customers and support their efforts to develop new applications.

In order to build the above organization, the new company needs to work in collaboration with existing joint ventures between each parent company and third parties (See Attachment 4). Parties will work to develop appropriate mechanisms for such collaboration.

The marketing and research functions of the polyolefin business will be concentrated in the new company, while Grand Polymer Company, Ltd., a polypropylene joint venture between Mitsui and Ube Industries, Ltd., will retain production function only.

The combined size of the two companies’ polyolefin businesses is estimated to be ¥ 300 billion in net sales in fiscal 2004, which includes Sumitomo’s The Polyolefin Company (Singapore) Pte. Ltd. in Singapore (TPC: its shareholding 67%) and Mitsui’s Mitsui Hi-Polymer (Asia) Ltd. in Hong Kong (MHP: its shareholding 50%) (Its corresponding figure in fiscal 2000 is ¥ 250 billion).

During the period prior to the entire business consolidation, the synergistic effect of the business integration that the polyolefin company is expected to generate domestically in Japan amounts to the annual sum of ¥ 26 billion in fiscal 2004 (as against a comparable figure of fiscal 2000), which will derive from improved efficiency in production, logistics, purchasing, etc., reduced expenses of duplicate personnel and R&D, rationalization due to decreased corporate overhead expenses etc., as well as increased income from new developments attributable to the technological synergies of the two companies, etc. (See Attachment 5)

Given the ever-intensifying competitive climate of the polyolefins business,
there is a highly pressing need for the enhancement of international competitiveness through the industry-wide restructuring. The new polyolefin company will combine all the capabilities of both parent companies to realize the benefits of the business integration and will make every effort to meet the needs of customers globally by promoting the scrap and build programs in Japan and undertaking the capacity expansions of the Asia's most powerful ethylene complex in Singapore, etc.

Mitsui and Sumitomo will appreciate the utmost support to Sumitomo Mitsui Polyolefin Company from all shareholders, customers and other stakeholders so that the new company can commence operation successfully as a first step for Mitsui and Sumitomo to become a global leader of the chemical industry in the 21st century.

III. Consolidation Synergies

Mitsui and Sumitomo will continue to work, through business subcommittees and functional subcommittees, to define more specifically the expected synergies of the entire business consolidation. Below mentioned are some of the expected synergistic effects that are currently envisaged.

1. Overall effect

At the time of the joint announcement made in November last year, the two companies posted certain financial targets of the new company in fiscal 2006, which were ¥3 trillion in net sales and ¥250 billion in recurring income, among others. After the announcement, Mitsui and Sumitomo respectively published their medium term plan for fiscal 2001 through 2003. The combined figures of both companies in fiscal 2003 as spelled out in the medium term plans are approximately ¥2.4 trillion in net sales and approximately ¥210 billion in recurring income. Accordingly, if each company's medium term plan is successfully implemented, the above financial target of the new company will well come in sight (See Attachment 6).

Synergistic effect of the business consolidation will consist of 1) the effect of expansion and growth owing to the synergies of products, technologies and markets, and 2) the effect of greater efficiency from eliminating the duplicate corporate resources of the two companies.

1) Synergies for Expansion and Growth

- Accelerating developments of new technologies and new products by the fusion of research/technology platforms
- Capturing and expanding new markets, both at home and abroad, by the integration of marketing networks.
- Strengthening core businesses and promoting vigorously M & As, etc. by focused infusion of increased cash flow

2) Synergies for Greater Efficiency
- Rationalizing services/administrative departments at headquarters and branch offices
- Optimizing logistics systems, reducing logistics costs, centralizing purchasing, etc.
- Integrating production bases and facilities, establishing optimum production organization, integrating/rationalizing production facilities, etc.
- Focused investments of R&D resources by the integration of research subjects, etc.
- Re-building businesses by the realignment /consolidation of the Group companies

2. Consolidation Synergies in Each Business Sector  (See Attachment 8)

1) Petrochemicals
   Expansion and enhancement of olefin and polyolefin businesses

2) Basic Chemicals
   Enhanced business developments of synthetic fiber raw materials and phenols

3) Specialty Polymers
   Business expansion by the fusion of technologies in which Mitsui and Sumitomo have strengths

4) Specialty Chemicals
   Business enhancement by the fusion of organic synthesis technologies

5) IT & Electronic Materials
   Expansion of business domains by capitalizing on the fusion of technologies

6) Agricultural Chemicals
   Strengthening of business by enhancing product lines

7) Pharmaceuticals
   Enhancement of research base for drug discovery
3. Workforces and Human Resources Management

Mitsui and Sumitomo will respectively make every effort to downsize their workforces in accordance with its medium term plan by the time of the entire business consolidation. After the business consolidation is realized, the new company will, from the standpoint of stronger competitiveness, continue to rationalize thoroughly the duplicate departments and sections of the two companies, resulting in the significant curtailment of personnel.

While a detailed study in this regard is yet to be done, assuming, only for the sake of reference, that the manufacturing departments basically remain unchanged as they stand now and rationalization is conducted, to a significant extent, with respect to corporate departments, other administrative sections, etc., it is estimated that approximately 2,000 personnel, which account for about 20% of a total employee number at the time of the business consolidation, i.e. approximately 10,000, will become available for better utilization of human resources. Such workforces will be deployed effectively in exploring new business fields or seeking new businesses opportunities. Since there will be a number of employees leaving the company each year owing to a retirement age, etc. after the business consolidation, the new company will be fully able to manage such workforce utilization within a couple of years, while keeping new recruitments.

4. Work to be Done Before Entire Business Consolidation

Mitsui and Sumitomo will define the goals and tasks to be realized at their respective responsibility and those to be accomplished jointly through cooperation and will attain them prior to the entire business consolidation so that the expected consolidation effect can be generated immediately after the entire business consolidation. The management and operation systems of the new company should be those effectively viable in a global competition and those ahead of the times being adaptable to future possible changes.

1) Integration of management systems
   Establishment of organization and management systems that emphasize efficient and speedy management

2) Integration of human resources systems and various schemes relating to organization and personnel management
   - Establishment of salary, promotion and other reward systems that emphasize job grading and performance evaluation
   - Designing of optimum organization and positions, and establishment of an organization with the proper minimum number of personnel
3) Integration of financing and accounting systems
   - Unification of significant accounting policies
   - Setting of financial targets to improve financial soundness and strengthen financial structure

4) Integration of ERP (Enterprise Resource Planning) software packages
   Joint development and establishment of SAP R/3 for the consolidated company.

[Attachments]
1. Business Consolidation Timetable/Method and Organization Structure of Internal Companies
2. Organization of Business Consolidation Study Initiative
3. Polyolefin Production Capacities of Mitsui and Sumitomo
5. Business Plan of Sumitomo Mitsui Polyolefin Co., Ltd.
6. Sumitomo & Mitsui’s Medium Term Plans (FY 2001 to FY2003) and Consolidated Company’s Performance Target (FY 2006)
7. Overall Consolidation Synergies
8. Consolidation Synergies in Each Business Sector

For further information, please contact:

Mitsui Chemicals, Inc. Corporate Communications
Tel: 03-3592-4060

Sumitomo Chemical Co., Ltd. General Affairs Dept.
Tel: 03-5543-5102
* The existing businesses of Mitsui and Sumitomo will be re-aligned in line with the new organization that commences operation end March 2004.
Organization of Business Consolidation Study Initiative

Business Consolidation Study Committee

Secretariat

Functional Subcommittees
- Corporate Management
- Human Resources & Labor Relations
- Finance & Accounting
- Information Management
- Legal & Administrative
- Environment, Health & Quality
- Production & Technology
- Logistics
- Purchasing
- Intellectual Property
- Research & Development
- Affiliates Coordination

Business Subcommittees
- Polyolefins Business Consolidation Study Committee
  - Singapore Project Preparation Committee
  - Petrochemicals
  - Basic Chemicals
  - Specialty Polymers
  - Specialty Chemicals
  - IT & Electronic Materials
  - Agricultural Chemicals
  - Pharmaceuticals
<table>
<thead>
<tr>
<th>Product</th>
<th>Domestic</th>
<th>Resident Prod'n</th>
<th>Global</th>
<th>Capacity</th>
<th>Share (%)</th>
<th>Producer Country</th>
<th>Capacity</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>LDPE</td>
<td>Sumitomo Chemical</td>
<td>Singapore</td>
<td>Singapore</td>
<td>172</td>
<td>230</td>
<td>572</td>
<td>25.2</td>
<td>572</td>
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<tr>
<td></td>
<td>DuPont-Mitsui Polychemical</td>
<td>342</td>
<td></td>
<td>206</td>
<td>150</td>
<td>549</td>
<td>35.4</td>
<td>549</td>
</tr>
<tr>
<td>HDPE</td>
<td>Mitsui Chemical</td>
<td>Singapore</td>
<td>Singapore</td>
<td>206</td>
<td>206</td>
<td>206</td>
<td>15.5</td>
<td>206</td>
</tr>
<tr>
<td>PP</td>
<td>Sumitomo Chemical</td>
<td>Singapore</td>
<td>Singapore</td>
<td>355</td>
<td>360</td>
<td>360</td>
<td>31.6</td>
<td>360</td>
</tr>
</tbody>
</table>

**Note:**

1. The PE production capacity of 1.33 mil t/y is about 10th among world PE makers. No.1 is 8.2 mil t/y by Dow and No.2 is 6.5 mil t/y by Exxon Mobil.
2. The PP production capacity of 1.65 mil t/y is 4th among world PP makers. No.1 is 5.75 mil t/y by BASELL and No.2 is 2 mil t/y by BP.
Global Network of Sumitomo Mitsui Polyolefin Company, Ltd.

Mitsui Chemicals
<LLDPE, HDPE production>

Sumitomo Mitsui Polyolefin Company

- Business planning & management
- Marketing planning/sale
- Production planning
- R&D

Pursuit of Consolidation Synergies

Grand Polymer Co., Ltd.
<PP production>

Ube Polypropylene Co., Ltd.
<PP production>

Du Pont-Mitsui Polymers Co., Ltd.
<LDPE production>

Evolue Japan Co., Ltd.
<m-LLDPE production>

Chiba Polyethylene Co., Ltd.
<LLDPE production>

Chiba Polypropylene Co., Ltd.
<PP production>

Mitsui Hi-Polymer (Asia) Ltd.
<HDPE sales>

Grand Polymer Co., Ltd.

Grand Siam Composites Co. Ltd.
<PP compound>

The Polyelefin Company (Singapore) Pte. Ltd. (Singapore)
<LDPE, LLDPE, PP>

Chevron Phillips Singapore Chemicals (Pte.) Ltd. (Singapore)
<HDPE>

Color & Composite Technologies, Inc.
<PP compound>

Phillips Sumika Polypropylene Co (USA)
<PP>

FM Technologies S.A. (Belgium)
<PP compound>
## Sales Plan

<table>
<thead>
<tr>
<th>Plan</th>
<th>Item</th>
<th>FY 2000 Bus. Plan</th>
<th>Remarks</th>
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<tbody>
<tr>
<td>Sales Plan*</td>
<td>HDPE</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>LDPE</td>
<td>33</td>
<td>36</td>
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<tr>
<td></td>
<td>LLDPE</td>
<td>40</td>
<td>57</td>
</tr>
<tr>
<td></td>
<td>PP</td>
<td>121</td>
<td>133</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>216</td>
<td>248</td>
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</tbody>
</table>

Including major overseas companies 250 300

## Personnel Plan

<table>
<thead>
<tr>
<th>Personnel Plan</th>
<th>Item</th>
<th>Head office indirect</th>
<th>Sales</th>
<th>R&amp;D</th>
<th>Production</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>90</td>
<td>230</td>
<td>330</td>
<td>[570]</td>
<td>650</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>[520]</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>45</td>
<td>160</td>
<td>230</td>
<td>435 (including production)</td>
<td>650 (1,220 including production)</td>
</tr>
</tbody>
</table>

Personnel (except production) at the new company

## Consolidation Synergy Plan (FY 2004; Comparison with FY 2000)

<table>
<thead>
<tr>
<th>Rationalization</th>
<th>Production</th>
<th>8.0</th>
<th>Scrap &amp; Build plan, optimized production, Product grade consolidation/reduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Logistics</td>
<td>3.4</td>
<td>Establish optimized transportation &amp; storage setup</td>
<td></td>
</tr>
<tr>
<td>Purchasing</td>
<td>0.9</td>
<td>Establish optimized purchasing setup</td>
<td></td>
</tr>
<tr>
<td>Manpower</td>
<td>1.8</td>
<td>Reduce duplicate sales/R&amp;D personnel</td>
<td></td>
</tr>
<tr>
<td>R&amp;D</td>
<td>0.7</td>
<td>Reduce R&amp;D materials &amp; equipment cost</td>
<td></td>
</tr>
<tr>
<td>Head office expenses, etc.</td>
<td>5.2</td>
<td>Reduce related headcount by outsourcing</td>
<td></td>
</tr>
<tr>
<td>Subtotal</td>
<td>20.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New developments through technological synergies</td>
<td>6.0</td>
<td>Promote new market development for products such as metallocene LLDPE.</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>26.0</td>
<td></td>
<td></td>
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</table>
## Sumitomo & Mitsui’s Medium Term Plans (FY 2001 – 2003) and Consolidated Company’s Performance Targets (FY 2006)

<table>
<thead>
<tr>
<th></th>
<th>Sumitomo Chemical</th>
<th>Mitsui Chemicals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY ’99 Actual</td>
<td>950.3 ¥ bln</td>
<td>FY ’99 Actual</td>
</tr>
<tr>
<td>FY ’00 Publ'd Estimate</td>
<td>1,030.0</td>
<td>FY ’00 Publ'd Estimate</td>
</tr>
<tr>
<td>FY ’03 Med. Term Plan</td>
<td>1,230.0</td>
<td>FY ’03 Med. Term Plan</td>
</tr>
<tr>
<td><strong>Recurring Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY ’99 Acutal</td>
<td>68.5 ¥ bln</td>
<td>FY ’99 Actual</td>
</tr>
<tr>
<td>FY ’00 Publ'd Estimate</td>
<td>84.0</td>
<td>FY ’00 Publ'd Estimate</td>
</tr>
<tr>
<td>FY ’03 Med. Term Plan</td>
<td>115.0</td>
<td>FY ’03 Med. Term Plan</td>
</tr>
<tr>
<td><strong>Personnel Nonconsol’d</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End Mar’00</td>
<td>5,721 Pers.</td>
<td>End Mar’00</td>
</tr>
<tr>
<td>End Mar’04</td>
<td>5,388</td>
<td>End Mar’04</td>
</tr>
<tr>
<td><strong>Investments &amp; Loans Consol’d</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 years</td>
<td>340 ¥ bln</td>
<td>3 years</td>
</tr>
<tr>
<td><strong>Cash Flow From Operations</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 years</td>
<td>330 ¥ bln</td>
<td>3 years</td>
</tr>
</tbody>
</table>

### Sumitomo/Mitsui Medium Term Plan Simple Total (FY 2003)

<table>
<thead>
<tr>
<th></th>
<th>Sumitomo/Mitsui Chemical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>2,400 ¥ bln</td>
</tr>
<tr>
<td>Recurring Income</td>
<td>210 ¥ bln</td>
</tr>
</tbody>
</table>

### Sumitomo Mitsui Chemical (FY 2006)

<table>
<thead>
<tr>
<th></th>
<th>Sumitomo Mitsui Chemical</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>3,000 ¥ bln</td>
</tr>
<tr>
<td>Recurring Income</td>
<td>250 ¥ bln</td>
</tr>
</tbody>
</table>

Note: Assume sales growth rate: 8%/yr (FY’03 - ’06)
Assume recurring income growth rate: 6%/yr (FY’03 - ’06)
## Research/Technology

1. Promotion of new business development and new product commercialization by the fusion of technologies in which each company has strengths
   - **Competent Technologies**
     - Catalyst technologies, polymerization processes (gas-phase, solution), organic synthesis (chiral synthesis, fluorination), bio-process, plastics processing technologies, lithography technologies, epitaxial-technologies, genomic sciences, plant biotechnologies, development & evaluation systems of pharmaceuticals and agrochemicals
   - Benefit of multilateral scientific approach owing to the fusion and interaction of researchers
   - Business fields based on competent technologies (See Figure 1)

2. Businesses expansion by focused investments of greater research resources into priority fields
   - Research personnel (current)
     - Mitsui 1,350
     - Sumitomo 1,560

3. Building the network of patents useful for business development by the integrated management of both companies’ patent rights
   - Establishment of a network consisting of comprehensive, hierarchical and versatile patent rights

## Logistics/Purchasing

1. Expansion of rationalization measures owing to the doubling of logistics volume
   - Total annual transportation cost of the two companies ¥110 billion
   - Total logistics volume of the two companies ¥13 million tons
   - Consolidation/abolition of transportation and distribution points, improved transportation efficiency, more efficient use of logistics equipment and materials

2. Rationalization of logistics organization
   - Re-organization/consolidation of logistics companies and integration of cooperators
   - Building a nation-wide logistics network by the integration of the two companies’ information systems

3. Promotion of purchases with competitive conditions by the doubling of purchase volume
   - Total annual purchases of ¥500 billion the two companies
   - Utilization of suppliers who offer competitive conditions
   - Reduction in the inventory of common spare goods, unification of purchase specifications
<table>
<thead>
<tr>
<th>Expansion/Growth Synergies</th>
<th>Efficiency Synergies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Marketing network</strong></td>
<td><strong>Production organization</strong></td>
</tr>
<tr>
<td>Strengthening of marketing capability by the integration of both companies’ global marketing networks</td>
<td>1. Establishment of an optimum production organization under the internal company structure (See Figure 3)</td>
</tr>
<tr>
<td>Both companies’ overseas business/marketing bases</td>
<td>2. Consolidation of production bases and facilities</td>
</tr>
<tr>
<td></td>
<td>• Establishment of optimum production organizations for each product, integration of production facilities</td>
</tr>
<tr>
<td><strong>Cash flow</strong></td>
<td><strong>R&amp;D organization</strong></td>
</tr>
<tr>
<td>Focused investments of increased cash flow</td>
<td>1. Establishment of an optimum R&amp;D organization under internal company structure</td>
</tr>
<tr>
<td>• Strengthening of core businesses, vigorous promotion of M&amp;As.</td>
<td>2. Integration of duplicate research subjects</td>
</tr>
<tr>
<td></td>
<td><strong>Group companies</strong></td>
</tr>
<tr>
<td></td>
<td>Improvement in efficiency and enhancement of business foundation by re-organizing/consolidating the Group companies</td>
</tr>
<tr>
<td></td>
<td>• Integration and enhanced collaboration of the Group companies that have duplicate business fields</td>
</tr>
</tbody>
</table>
Figure 1

Business Fields Based On Competent Technologies

Mitsui Chemicals
- HDPE
- PTA
- PET
- Phenol
- Bisphenol-A
- EO/EG
- Hydorquinone
- Acrylamide
- Personal Hygiene Mat'l's
- Integrated Circuit Mat'l's
- Toner Mat'l's
- Functional Colorants
- Eye Glass Lens Mat'l's
- Serine Derivatives
- Hybrid Rice
- TDI, MDI, PPG
- Urethane Resins

Sumitomo Chemical
- Caprolactam
- Acrylic Acid
- Propylene Oxide
- Aluminum
- Alumina
- Nitric Acid
- Poly-MMA
- Polariz'n/Retard'n Films
- Photoresist, Color Filter
- Funct'l Inorg'c Oxides
- Liquid Crystal Polymer
- Household Insecticides
- Methionine, Biotin
- Pharms, Diagnostics

Catalyst Technology
- Olefins (Cracking, Separ'n/Ref'ng)
- LLDPE (Gas phase Polym.)
- PP (Slurry, Gas phase Polym)
- Elastomer (Sol'n polym.)
- Resorcinol (Oxidation)
- Cresol (Oxidation)
- Methylmethacrylate (Oxidation)

Display Mat'l's (Optical Design, Film Processing)
- Polymer Display Panel Filter (Sputtered, Lamin'n)
- Semiconductor Materials (Lithography)
- Optical Communication Mat'l's (Epitaxial, Laser)
- Epoxy Resin (Addition Polymeriz'n)
- Crop Protection (Syntheses, Tox.
  Eval'u System)
- Pharm. Intermed's (Chiral Synthesis, Bio-process)
- Polymeric Flocculants,
  PES, PEEK
Global Network of Mitsui and Sumitomo

- Europe/South Africa
- North & South Americas
- Asia/Oceania

- MITSUI CHEMICALS EUROPE GmbH
- SUMITOMO CHEMICAL BELGIUM S.A./N.V.
- SUMITOMO PHARMACEUTICALS U.K. LTD.
- MITSUI CHEMICALS AMERICA, INC.
- PHILLIPS SUMIKA POLYPROPYLENE COMPANY
- FM TECHNOLOGIES S.A.
- PHILAGRO FRANCE S.A.
- PHILAGRO SOUTH AFRICA(PTY)LTD.
- COLOR & COMPOSITE TECHNOLOGIES, INC.
- SUMIKA POLYMERS AMERICA CORPORATION
- MITSUI ADVANCED MEDIA S.A.
- PHILAGRO HOLDING S.A.
- MITSUI ADVANCED MEDIA, INC.
- SUMITOMO CHEMICAL AMERICA, INC.
- IMAGE POLYMERS EUROPE UK PARTNERSHIP
- SUMITOMO CHEMICAL AGRO EUROPE S.A.
- MITSUI PETROCHEMICALS(NETHERLANDS)B.V.
- SUMITOMO CHEMICAL DEUTSCHLAND GmbH
- ESCO COMPANY LIMITED PARTNERSHIP
- VALENT U.S.A. CORPORATION
- SUMITOMO CHEMICAL(U.K.)PLC
- MCIF INC.
- SUMITOMO CHEMICAL CAPITAL AMERICA, INC.
- VALENT de MEXICO, S.A. de C.V.
- SUMITOMO CHEMICAL do BRASIL REPRESENTAÇÕES LIMITADA

Overseas Sales
- Overseas subsidiaries/affiliates: 94 Companies
- Overseas sales ratio to consolidated sales: 22%
Figure 3

Domestic Manufacturing Sites of Sumitomo and Mistui

<table>
<thead>
<tr>
<th></th>
<th>Sumitomo</th>
<th>Mistui</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>P Misawa Works</td>
<td>A Ichihara Works</td>
</tr>
<tr>
<td>2</td>
<td>P Chiba Works</td>
<td>B Nagoya Works</td>
</tr>
<tr>
<td>3</td>
<td>P Osaka Works</td>
<td>C Osaka Works</td>
</tr>
<tr>
<td>4</td>
<td>P Ehime Works</td>
<td>D Iwakuni-Ohtake Works</td>
</tr>
<tr>
<td>5</td>
<td>P Oita Works</td>
<td>E Omuta Works</td>
</tr>
</tbody>
</table>
## Consolidation Synergies in Each Business Sector

### 1) Petrochemicals

<table>
<thead>
<tr>
<th>Expansion/Growth Synergies</th>
<th>Efficiency Synergies</th>
</tr>
</thead>
</table>
| 1. Strengthened and expanded polyolefins business  
  - Strengthening of market presence under the global 3.0 million-t/y production setup  
  - Firm establishment of competitive advantage through cost reduction by Scrap & Build  
  - Business expansion into Asia with TPC playing the central role, and securing of the top market share  
  - Promotion of new products/new application development through pursuit of technological synergies | 1. Optimzed operation of oomestic ethylene centers  
  - Two units (Chiba and Osaka) totaling 1.7 million ton/yr, the largest domestic operation.  
  - Future studies include relocating derivatives plants to promote optimized operation, targeting a competitive petrochemical business in Japan. |
| 2. Promotion of Singapore Third Expansion Project  
  - New construction of 1 million-t/y ethylene cracker to achieve a 2 million-t/y setup  
  - Realization of a highly profitable complex by extending out to phenol, propylene oxide and other derivatives in addition to polyolefins | 2. Higher efficiency in procuring major feedstock  
  - Strengthened purchasing power through increased purchase volume (naphtha, olefins, aromatics)  
  - Reduction of logistics cost (mutual utilization of staging warehouses and tanks) |
| 3. Strengthened development of methyl methacrylate business  
  - Renewed vigorous expansion of MMA monomer business in Asia (130 K t/y in Japan and 140 K t/y Overseas [Korea & Singapore] )  
  - Comprehensive business expansion in step with PMMA, by capitalizing on Sumitomo-Mitsui's presence as Asia's largest monomer maker | 3. Restructuring of styrenics business |
## Consolidation Synergies in Each Business Sector

### 2) Basic Chemicals

<table>
<thead>
<tr>
<th>Expansion/Growth Synergies</th>
<th>Efficiency Synergies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Phenol Chain Business Expansion in Asia</strong></td>
<td><strong>1. Enhanced Purchasing Power for Major Raw Materials</strong></td>
</tr>
<tr>
<td>• Strengthened business expansion with the Singapore Third Expansion Project at the core.</td>
<td>• Combined methanol purchase : 600 K t/y</td>
</tr>
<tr>
<td>• Further expansion of phenol derivatives business in Asia</td>
<td>• Combined sulfuric acid purchase : 500 K t/y</td>
</tr>
<tr>
<td><strong>2. Enhanced Competitiveness of Synthetic Fiber Raw Materials Business</strong></td>
<td><strong>2. Reorganization of Formalin business including those of Group Companies</strong></td>
</tr>
<tr>
<td>• Taking advantage of PTA and caprolactam market synergy</td>
<td>• Restructured production setup</td>
</tr>
<tr>
<td>• Strengthening of caprolactam business based on the newly developed process</td>
<td>• Consolidation of multivalent alcohols business</td>
</tr>
<tr>
<td><strong>3. Fusion of Sumitomo/Mitsui HCl Oxidation Processes</strong></td>
<td><strong>3. Strengthened HCN Derivatives Business</strong></td>
</tr>
<tr>
<td>• Firmly established superiority through technology refinedments</td>
<td>• Optimal production setup established for HCN derivatives</td>
</tr>
<tr>
<td>• Expanded licensing opportunities and strengthened hydrochloric acid business</td>
<td><strong>4. Enhancement of Aniline Competitiveness</strong></td>
</tr>
<tr>
<td></td>
<td>• Optimal production setup and rationalized logistics established for Ehime and Ichihara sites</td>
</tr>
</tbody>
</table>
### Consolidation Synergies in Each Business Sector

#### 3) Specialty Polymers

<table>
<thead>
<tr>
<th>Expansion/Growth Synergies</th>
<th>Efficiency Synergies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Enhanced cost competitiveness through integrated production of propylene oxide (New Process), propylene glycol and processed products</td>
<td>1. Integrated production of processing resins</td>
</tr>
<tr>
<td>2. Expanded and strengthened super-engineering plastics business by fusion of technologies in which each company has strengths</td>
<td>2. Substitution of purchased raw materials &amp; products with self-produced items</td>
</tr>
<tr>
<td>• New product development based on intermediates owned by Sumitomo &amp; Mitsui (e.g. hydroquinone)</td>
<td>• PES</td>
</tr>
<tr>
<td>• Downstream business expansion based on polymer fabrication/processing technologies (e.g. alloys, compounds, films)</td>
<td>• Melamine, glyoxal (as processing resins)</td>
</tr>
<tr>
<td>3. Expanded sales through enlarged super-engineering plastics product line</td>
<td>• Acrylamide (for polymeric flocculants)</td>
</tr>
<tr>
<td>• Line-up variety: Liquid crystal, crystalline and amorphous products</td>
<td>• Acrylic acid (for acrylic emulsion)</td>
</tr>
<tr>
<td>• Liquid crystal polymer, polyether sulfone, polyether-ether ketone, modified polyamides, polyimides</td>
<td></td>
</tr>
<tr>
<td>4. Business expansion by enriching the line-up of various dispersions &amp; coating materials</td>
<td></td>
</tr>
<tr>
<td>• Acrylic resins, EVA emulsions, amide resins, melamine resins</td>
<td></td>
</tr>
</tbody>
</table>
## Consolidation Synergies in Each Business Sector

### 4) Specialty Chemicals

<table>
<thead>
<tr>
<th>Expansion/Growth Synergies</th>
<th>Efficiency Synergies</th>
</tr>
</thead>
</table>
| 1. Strengthened pharmaceutical intermediates business through fusion of Sumitomo/Mitsui technology competencies and enhanced R&D staffing  
  - Mitsui : Biochemical synthesis, fluorination technology  
  - Sumitomo : Production technology of optically active substances (asymmetric synthesis, optical resolution, biochemical synthesis) | 1. Utilization of overseas business sites  
  - Mitsui : USA, Europe, Southeast Asia  
  - Sumitomo : USA, Europe, Southeast Asia, Korea |
| 2. Strengthening of polymer additives business  
  - Broadening of Sumitomo/Mitsui’s polymer additives line-up  
  - Speedy application evaluation and expansion into applications in engineering plastics | 2. Rationalization through plant consolidation & reorganization, etc.  
  - Synthetic cresol |
| 3. Strengthening of key pharmaceutical intermediates business through fusion of both companies’ technology competencies  
  - Resorcinol, hydroquinone, etc.  
  - Promotion of development of resorcinol derivatives (tire adhesives) and hydroquinone derivatives (photographic chemicals) |  
|  
| Utilization of overseas business sites  
  - Mitsui : USA, Europe, Southeast Asia  
  - Sumitomo : USA, Europe, Southeast Asia, Korea |
| Rationalization through plant consolidation & reorganization, etc.  
  - Synthetic cresol |
|  
|  
|  
|  
| Utilization of overseas business sites  
  - Mitsui : USA, Europe, Southeast Asia  
  - Sumitomo : USA, Europe, Southeast Asia, Korea |
| Rationalization through plant consolidation & reorganization, etc.  
  - Synthetic cresol |
|  
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|  
| Utilization of overseas business sites  
  - Mitsui : USA, Europe, Southeast Asia  
  - Sumitomo : USA, Europe, Southeast Asia, Korea |
| Rationalization through plant consolidation & reorganization, etc.  
  - Synthetic cresol |
|  
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|  
| Utilization of overseas business sites  
  - Mitsui : USA, Europe, Southeast Asia  
  - Sumitomo : USA, Europe, Southeast Asia, Korea |
| Rationalization through plant consolidation & reorganization, etc.  
  - Synthetic cresol |
|  
|  
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|  
|  
| Utilization of overseas business sites  
  - Mitsui : USA, Europe, Southeast Asia  
  - Sumitomo : USA, Europe, Southeast Asia, Korea |
| Rationalization through plant consolidation & reorganization, etc.  
  - Synthetic cresol |
## Consolidation Synergies in Each Business Sector

### 5) IT & Electronic Materials

<table>
<thead>
<tr>
<th>Expansion/Growth Synergies</th>
<th>Efficiency Synergies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.</strong> Business enhancement and expansion by capitalizing on the product/technology synergies of the two companies</td>
<td><strong>1.</strong> Integration and enhancement of overseas business bases</td>
</tr>
<tr>
<td>- Semiconductor materials</td>
<td>Europe &amp; USA : Mutual utilization of each company’s regional headquarters/operating companies</td>
</tr>
<tr>
<td>Mitsui : Gas for semiconductor manufacture, ICROS tape (super clean protective tape), pellicles</td>
<td>Asia : Mutual utilization of each company’s affiliates and regional headquarters/operating companies (Singapore, Thailand, China, Korea, Taiwan)</td>
</tr>
<tr>
<td>Sumitomo : High-purity chemicals, photoresists, compound semiconductors</td>
<td><strong>2.</strong> Utilization of logistics infrastructure for electronic chemicals</td>
</tr>
<tr>
<td>- Display materials (esp. for LCD and PDP applications)</td>
<td>Logistics infrastructure: Stock points in major locations throughout Japan</td>
</tr>
<tr>
<td>Mitsui : Silver reflectors, transparent conductive films, PDP optical filters</td>
<td></td>
</tr>
<tr>
<td>Sumitomo : Color filters, polarizing films, retardation films, PDP optical filters</td>
<td></td>
</tr>
<tr>
<td>- IC materials</td>
<td></td>
</tr>
<tr>
<td>Mitsui : Epoxy resins, PES, various kinds of polyimides, IC substrates</td>
<td></td>
</tr>
<tr>
<td>Sumitomo : Epoxy resins, PES, liquid crystal polymer, wiring materials</td>
<td></td>
</tr>
</tbody>
</table>

| **2.** Enhancement of compound semiconductor-related businesses by fusing the technologies in which each company has strengths and by reinforcing researchers | |
| Mitsui : Laser technology | |
| Sumitomo : Epitaxial technology | |
### Consolidation Synergies in Each Business Sector

<table>
<thead>
<tr>
<th>Expansion/Growth Synergies</th>
<th>Efficiency Synergies</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. Acceleration of new product development owing to technological synergies</td>
<td></td>
</tr>
</tbody>
</table>
  - Low di-electric film materials, next generation photoresists (Si base), new Si-based gas |
Consolidation Synergies in Each Business Sector

### 6) Agricultural Chemicals

<table>
<thead>
<tr>
<th>Expansion/Growth Synergies</th>
<th>Efficiency Synergies</th>
</tr>
</thead>
</table>
| **1. Sales expansion by enhancing product lines**<br>Sumitomo’s broad product line-up plus Mitsui’s unique products<br>• Agricultural insecticides  
  Development of combination products of both companies’ compounds<br>• Household insecticides  
  Meeting diverse needs of customers | **1. Research promotion and efficiency improvement**<br>• Technology fusion in the production of optically active substances and plant biotechnology<br>• Elimination of duplicate research subjects<br>• Focused infusion of resources into priority fields |
| **2. Domestic market:** Enhanced presence by reinforcing marketing network<br>Sumitomo/a commercial route  
plus<br>Mitsui/an agricultural cooperatives’ route<br>• Pesticides, fertilizers, irrigation materials | **2. Rationalization by the integration, re-alignment, etc. of production facilities**<br>• Fertilizers  
  Sumitomo/Ehime, Mitsui/Affiliates<br>  
  • Enhancing cost competitiveness by concentrated production<br>  • Efficient renewal investments<br>• Crop Protection Chemicals   Formulations |
| **3. Overseas markets:** Sales expansion of Mitsui products by utilizing Sumitomo’s overseas business bases<br>• Pesticides development/registration promotion and sales expansion<br>• Sumitomo’s overseas business bases<br>Valent (USA), Phillagro France (France), Kenogard (Spain), Phillagro South Africa (South Africa), Sumitomo Chemical Australia (Australia), Sumitomo Chemical do Brazil (Brazil) | **3. Reduction in overseas distribution costs of Mitsui products by utilizing Sumitomo’s overseas business bases.**<br>• Shifting to a direct marketing system |
### Consolidation Synergies in Each Business Sector

#### 7) Pharmaceuticals

<table>
<thead>
<tr>
<th>Expansion/Growth Synergies</th>
<th>Efficiency Synergies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Enhancement of research foundation for drug discovery</strong></td>
<td>Diversification of supply sources for bulk pharmaceuticals and their intermediates</td>
</tr>
<tr>
<td>• Expansion of foundation for genomics research</td>
<td>• Enhancement of organic synthesis research by the fusion of technologies in which each company has strengths</td>
</tr>
<tr>
<td><strong>Sumitomo</strong> : Pharmaceuticals-related biotechnology research</td>
<td>• The possibility of strengthening cost competitiveness by self-manufacturing bulk pharmaceuticals and intermediates that are currently purchased from third parties</td>
</tr>
<tr>
<td><strong>Mitsui</strong> : Plant-related biotechnology research</td>
<td></td>
</tr>
<tr>
<td>Shared basic technologies</td>
<td></td>
</tr>
<tr>
<td>Expansion of target fields where collaboration with ventures can be effectively utilized.</td>
<td></td>
</tr>
<tr>
<td>Enhancement of biotechnology researchers</td>
<td></td>
</tr>
<tr>
<td><strong>Expansion and enhancement of a compound library</strong></td>
<td></td>
</tr>
<tr>
<td>Sumitomo’s compound library plus Mitsui’s compound library</td>
<td></td>
</tr>
</tbody>
</table>