

Sumitomo Seika to Acquire Super Absorbent Polymer Business

March 11, 2008

We are to enter an agreement to acquire from Arkema, France, its super absorbent polymer business.

Arkema has been manufacturing and selling its super absorbent polymer whose trade name is “AQUA KEEP®” mainly in Europe since 1985 under the technology license from our company.

Our company has been supplying super absorbent polymer to the European market from our plants in Singapore and Himeji, Japan. However, due to substantial increase in raw material costs as well as transportation costs, coupled with disadvantage in currency exchange, we have been compelled to set up swiftly our production base in Europe.

Arkema and our company are manufacturing the product under the same technology and selling the product under the same trade name of “AQUA KEEP®”, hence there is no problem in our customer service practically. We will be able to gain synergistic effect in our business by improving production efficiency through grade unification and production grade sharing and also by integrating technical service when this arrangement is materialized.

As a result of this business acquisition, marketing and sales will be conducted by Sumitomo Seika Europe S.A. / N.V. (Brussels, Belgium) which was established in December 2007, while production will continue to be done by Arkema at its Caring Plant on a toll manufacture basis, in which acrylic acid, a major raw material, will be supplied by Arkema.

The production capacity is currently 15,000 tons per year, and sales are estimated to be about 3.5 billion yen. Its production capacity may be expanded up to 20,000 tons per year with some additional investment. When this capacity of 20,000 tons is added, our total annual production capacity will reach about 160,000 tons, including the existing 140,000 tons. Thus we will have three production bases: Japan, Singapore and Europe, through which we intend to reinforce our super absorbent polymer business, establishing also technical service centers there and enhancing customer service as well.

This transfer of business is scheduled to come into effect on April 1, 2008.