

For Immediate Release

December 2, 2016

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Representative:	Masakazu Tokura President and Representative Director
Securities Code:	4005
Stock Exchange Listings:	First Section of the Tokyo Stock Exchange
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## **Announcement Concerning the Consolidation of the S-SBR Business with Zeon Corporation, by Absorption-type Split and the Establishment of a New Joint Venture Company**

Sumitomo Chemical announced that its Board of Directors has resolved today to enter into an agreement with Zeon Corporation (“Zeon”) for the establishment of a joint-venture company between the two companies regarding the integration of their Solution Styrene Butadiene Rubber (“S-SBR”) businesses.

As the company split resulting from this business integration involves an arrangement for which certain portions of items and details for disclosure may be omitted, disclosure under the present announcement has partially been omitted.

### **1. Purpose of the Business Consolidation**

Sumitomo Chemical’s S-SBR is used as a feedstock for fuel-efficient tires. With heightening environmental awareness and tightening environmental regulations worldwide, demand for fuel-efficient tires is likely to keep increasing steadily in the future, while competition in the marketplace is ever growing keener with many of the manufacturers expanding production capacities.

Under the circumstances, Sumitomo Chemical and Zeon have been looking into various opportunities of co-operation, including developing new products to better meet customers' needs by bringing their technologies together, increasing cost-competitiveness further, forming a new joint venture capable of strengthening the business through an ensured stable supply of products, or transferring their S-SBR business operations, including those of their respective affiliates, to a newly formed joint venture. After in-depth consideration, the two companies have recently agreed that certain synergistic benefits should accrue from integrating their businesses in a manner outlined below.

## 2. Outline of the Business Consolidation

### (1) Details

As set forth in the Joint Venture Agreement, Zeon will establish a new wholly owned subsidiary called ZS Elastomer Co., Ltd. ("ZSE"). Sumitomo Chemical and Zeon will then succeed the rights and obligations of the sales and R&D functions of each company's respective S-SBR business to ZSE.

It should be noted that this Business Consolidation is contingent on the approval of the board of directors of Zeon, the relevant domestic and international authorities.

### (2) Outline of the joint-venture company (Scheduled) (Status of the Succeeding Company after the Company Split)

Company name	ZS Elastomer Co., Ltd.
Address	1-6-2 Marunouchi, Chiyoda-ku, Tokyo 100-8246, Japan
Representative	Not determined
Scope of business	Buying, selling, research and developing, manufacturing, and processing of synthetic rubbers
Capital	JPY 450 million
Date Established	December 8, 2016 (Scheduled)
Fiscal year end	March 31
Net assets	Not determined
Total assets	Not determined
Major shareholders and ratio of shares held	Zeon Corporation: 60%; Sumitomo Chemical Co., Ltd.: 40%

## 3. Business Consolidation Partner

Company name	Zeon Corporation
Address	1-6-2 Marunouchi, Chiyoda-ku, Tokyo 100-8246, Japan
Representative	Kimiaki Tanaka, President
Scope of business	Manufacturing and selling of elastomer materials and specialty materials
Capital	JPY 24,211 million
Date Established	April 12, 1950
Major shareholders and ratio of shares held	The Yokohama Rubber Co., Ltd.: 9.57%
	Japan Trustee Services Bank, Ltd (Trust Account): 5.05%

(as of September 30, 2016)	Mizuho Bank, Ltd : 4.67%		
	Asahi Mutual Life Insurance Company: 3.24%		
	National Mutual Insurance Federation of Agricultural Cooperatives: 2.94%		
Relationship between Partner and the Company	No notable capital, personnel, or trade relationships exist		
Performance and Financial Results of the Past Three Fiscal Years (consolidated) Yen in millions, unless otherwise noted			
Fiscal Year End	March 2014	March 2015	March 2016
Net assets	181,414	215,631	215,586
Total assets	370,872	399,512	384,753
Net assets per share (yen)	783.11	931.34	949.91
Net sales	296,427	307,524	295,647
Operating income	29,901	28,245	29,856
Ordinary income	32,561	31,098	32,153
Net income attributable to owners of parent	19,650	19,080	18,079
Net income per share (yen)	85.15	84.13	79.86
Dividends per share (yen)	13.00	14.00	15.00

#### 4. Outline of the Company Split

##### (1) Company Split Schedule

Approval of the Joint Venture Agreement (by resolution of the Board of Directors)	December 2, 2016
Execution of Joint Venture Agreement	December 2, 2016
Establishment of the Succeeding Company	December 8, 2016 (scheduled)
Approval of the Company Split Agreement (by resolution of the Board of Directors)	January 30, 2017 (scheduled)
Execution of the Company Split Agreement	January 30, 2017 (scheduled)
Effective date of the Company Split	April 1, 2017 (scheduled)

Please note that the schedule above is subject to change based on the progress of relative domestic and international regulatory approvals and other procedures concerning the transaction

## **(2) Company Split method**

This is an absorption-type company split in which Sumitomo Chemical is the splitting company and ZSE is the succeeding company.

\*Sumitomo Chemical will conduct the Company Split without obtaining the approval of the shareholders' meeting of the Company pursuant to the provision of the "simple absorption-type company split" set forth in Article 784, Paragraph 2 of the Companies Act of Japan.

## **(3) Details of Stock allocations**

As consideration of the Company Split, ZSE is to allocate 2,400 shares to Sumitomo Chemical. On the other hand, for the company split between Zeon and ZSE, ZSE is to allocate 3,599 shares to Zeon. Accordingly, Zeon will have a total of 3,600 shares with 1 share acquired from establishing ZSE. As a result, the capital participation in ZSE will be 60% for Zeon and 40% for Sumitomo Chemical.

## **(4) Handling of Stock Acquisition Right and Bonds with Stock Acquisition Rights Accompanying the share options and bonds with share options accompanying the absorption-type company split**

Not applicable.

## **(5) Capitalization Changes Accompanying the Company Split**

There will be no change in Sumitomo Chemical's capital stock related to the Company Split.

## **(6) Succession of Rights and Obligations**

ZSE will succeed the rights and obligations of the sales and R&D functions of the S-SBR business at the time of the effective date based on the Company Split Agreement. Note that of the assets and liabilities recorded in Sumitomo Chemical's balance sheet, only cash deposits will be succeeded.

## **(7) Capability of Satisfying Liabilities**

Sumitomo Chemical has determined that ZSE will not have any problem in performing its obligation relating to the liabilities it will bear following the Company Split

## **5. Basis for Calculation of Allocations for the Company Split**

The value of property which will be allocated to Sumitomo Chemical from ZSE has been determined by negotiation with ZEON, taking into consideration the amount of cash which will be succeeded to ZSE from Sumitomo Chemical and ZEON respectively.

## **6. Summary of Companies Involved in the Company Split**

	Splitting company	Succeeding company As of March 31, 2017 (Scheduled)
Company Name	Sumitomo Chemical Co., Ltd.	ZS Elastomer Co., Ltd.
Address	2-27-1 Shinkawa, Chuo-ku, Tokyo 104-8260, Japan	1-6-2 Marunouchi, Chiyoda-ku, Tokyo 100-8246, Japan
Representative	Masakazu Tokura President and Representative	Not determined

	Director	
Scope of business	Petrochemical (manufacture and sales of synthetic plastics, etc.), Energy and Functional Materials (manufacture and sales of synthetic rubber, etc.), IT-related Chemicals (manufacture and sales of optical products), Health and Crop Sciences (manufacture and sales of agricultural chemicals), Pharmaceuticals (manufacture and sales of ethical drugs)	Buying, selling, research and developing, manufacturing, and processing of synthetic rubbers
Capital	JPY 89,699 million	JPY 0.1 million
Date Established	June 1, 1925	December 8, 2016
Number of shares issued	1,655,446,177	1
Fiscal year end	March 31	March 31
Major shareholders and ratio of shares held  (as of September 30, 2016)	Japan Trustee Services Bank, Ltd (Trust Account):5.85% The Master Trust Bank of Japan, Ltd (Trust Account): 5.49% Sumitomo Life Insurance Company: 4.29% Nippon Life Insurance Company: 2.48% Sumitomo Mitsui Banking Corporation: 2.32%	Zeon Corporation: 100.0%
Performance and Financial Condition of the Fiscal Year Ended March 31, 2016 (Consolidated)		
Yen in millions, unless otherwise noted		
Net assets		1,090,776
Total assets		2,662,150
Net assets per share (yen)		469.25
Net sales		2,101,764
Operating income		164,446
Ordinary income		171,217

Net income attributable to owners of parent	81,451
Net income per share (JPY)	49.84

## 7. Overview of the Business to be Split

### (1) Contents of the Business to be Split

The only portion of the business to be split is Sumitomo Chemical's sales and R&D functions of the S-SBR business. Currently, production functions of the S-SBR business are not included in the Company Split, though there are plans to succeed these functions in the future. For the period until the succession, ZSE will purchase products produced by Sumitomo Chemical and Zeon to use for sales.

### (2) Financial Results of the Business to be Split

Net Sales: 4,117 million yen (as of March 31, 2016)

The amount above is the net sales of Sumitomo Chemical's S-SBR business and does not include sales figures by Sumitomo Chemical Asia Pte Ltd.

### (3) Assets and liabilities to be Split

Cash deposit of 240 million yen

No other assets or liabilities are included in this Company Split

## 8. Status after the Company Split

### (1) The status of the Splitting Company (Sumitomo Chemical)

There will be no change in the trade name, address, headquarters, representative, business type, paid-in capital or fiscal year due to the company split.

### (2) Status of the Succeeding Company after Company Split (ZSE)

Please refer to *2. Outline of the Business Consolidation (2) Outline of the Joint Venture Company* above for details.

## 9. Future Outlook

After this Company Split, Sumitomo Chemical and Zeon plan to succeed other functions of the S-SBR business in addition to the sales and R&D functions, including both companies' S-SBR business subsidiaries in Singapore. The effect of the Company Split on the Company's consolidated financial results will be negligible.