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Mitsui-Takeda to Expand Polyurethane Resin Business in China

Mitsui Takeda Chemicals, Inc. (MTCI) has agreed with the current joint venture partners for Tianjin Cosmo Polyurethane Co., Ltd. (TCPC) as follows, in order to capture the rapidly growing demand for polyurethane(PU) resins in China.

- 1) **MTCI** increases its stake in TCPC thus converting it to a consolidated subsidiary.
- 2) Production facilities for PU resins will be constructed in TCPC.

MTCI is a joint venture company between Mitsui Chemicals, Inc. (MCI) and Takeda Chemical Industries, Ltd. (Takeda), and is engaged in the manufacture, sales and research of PU raw materials, PU resins and organic acids.

TCPC will be converted to a consolidated subsidiary of MTCI in the second half of this year, with the stake increase of 45% to 70% (original capital of 30 million yuan will be increased to 90 million yuan).

The new facilities will be constructed in TCPC site (ChengLin Industry District Tianjin, China), and will start commercial operation in July 2006, with its capacity of 17,000-ton/yr, for the main application of PU resins for coatings, paints, and flexible packaging adhesives.

Under its current medium-term business plan, Mitsui Chemicals Group is aiming for expansion and growth in Performance Materials Sector consisting of Functional Polymers, Information & Electronics Materials and Healthcare Materials businesses. The strategy of PU resin business as one of Functional Polymers is to push ahead with further expansion the businesses through capturing the high-growth demand in Asia and expanding new products contributing to environmental preservation.

Approximately half of PU wood coatings are manufactured in China. Due to enforcement of the regulations for free - TDI content in hardeners for PU paints, the demand of hardeners with less free - TDI is rapidly expanding. In addition, the demand for urethane-based adhesives for food packaging such as boilable and retortable pouch continues to rise steeply, because of the change of lifestyles

in China. The new plant project is for this demand increase.

Also, MTCl's business widely ranges from the PU raw materials of TDI, MDI, PPG to various polyurethane resins. In China, TCPC has been manufacturing and selling PPG compound (Resin premix), in addition to importing TDI and MDI from Japan. In accordance with the consolidation and the facilities establishment, TCPC will surely take important part in the strategies for MTCl's PU businesses in China.

With an eye on significant growth of the PU resin demand expected in Asia, MTCl intends to strengthen and expand PU resin business in this region.

MTCl was established on April 1, 2001 with its Head Office in Tokyo, at a capital of 20 billion yen, with MCI holding a 51% interest and Takeda 49%. Production sites are located in Kashima, Ibaragi Prefecture, Shimizu, Shizuoka Pref., Nagoya, Aichi Pref., Tokuyama, Yamaguchi Pref. and Omuta, Fukuoka Pref.

TCPC was established in June, 1993, at a capital of 90 million yuan (by capital increase), with MTCl holding a 70% (current status 45%) of interest, Tianjin Petrochemical Corporation, 25% (current status 45%) and Chori, Co., Ltd. 5% (current status 19%). Head-quartered in Tianjin, China, TCPC is engaged in the manufacture and sale of PU materials.

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