

Mitsui Chemicals and SKC

Establish New Joint Venture for Polyurethane Material Businesses



Dec. 22, 2014
Mitsui Chemicals, Inc.

1. Policy of MCI Polyurethane Business

① Establish optimum operations

② Global deployment of system products

③ Expand specialty isocyanate business

Polyurethane Div.

Coatings & Engineering Materials Div.

Establish optimum operations for general-use polyurethane by terminating non-competitive plants and maintaining competitive plants

Reinforce Coatings & Engineering businesses through specialty isocyanates

Terminate Chiba Polyol
(June, 2012)

▲ 28KTA

Sale of organic acid business
(Oct. 2014)

▲ 47KTA

Terminate Kashima TDI
(May, 2016)

▲ 117KTA

Terminate Omuta MDI
(May, 2016)

▲ 60KTA

Establish large-scale XDI plant
(Oct. 2015)

+ 5KTA

Launch new specialty isocyanates
(Aug. 2016)

+ 2KTA

Polyurethane Sales
170 billion yen

- Polyurethane elastomer/FORTIMO
- Bio-polyisocyanate/STABiO

63%

37%

Strengthen position by strategic deployment through business alliances (Feb. 2014)

Establish joint venture with Korean SKC to bolster global deployment of polyurethane business focusing on system products to be a **global comprehensive manufacturer of polyurethane materials which provides values for customers**

2. Outline of Project

Consolidation of polyurethane material production, sales, and R&D of the two companies

Consolidated sales
(FY2015)

US\$ **1,500** million (approximately 180 billion yen)

Employees
(consolidated)

Approximately **650**

Establishment

April 1, 2015 (tentative)

Equity ratio

50:50

Products



Polyol

System products

TDI

MDI



Polyol

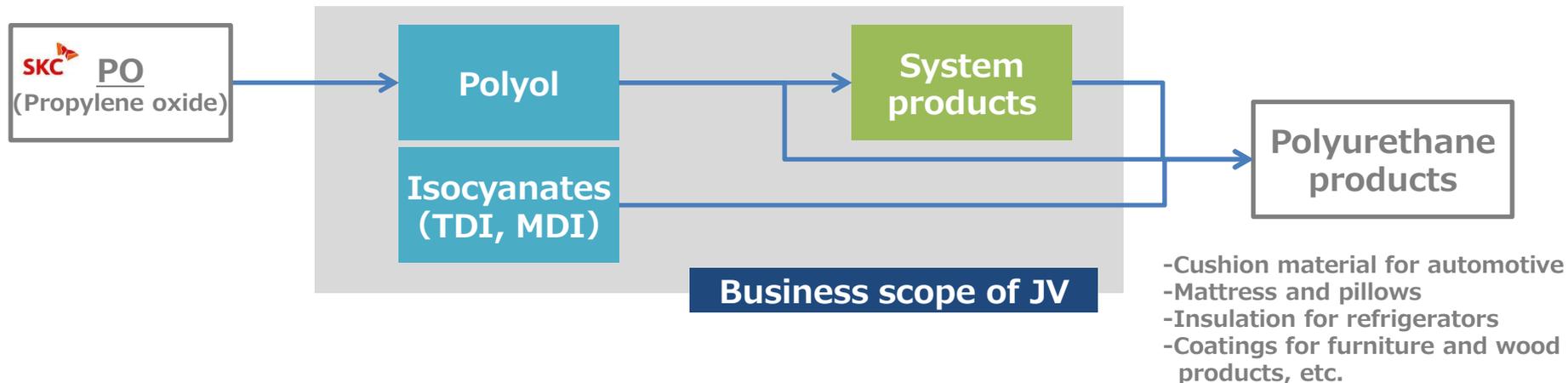
System products



※The name of new joint venture will be announced at a later date

3. Concept of Consolidation

- Establish **“Asia’s largest polyurethane material manufacturer”** offering all products from TDI/MDI/polyol to system products
- **Enhance premium strengths of two companies** in automotive and appliances fields to bolster global position
- **Bolster competitiveness through integrated system** covering production from raw material PO to polyol and system products

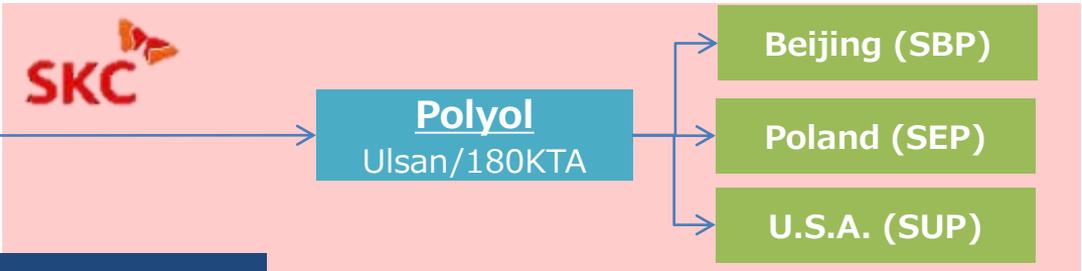


4. Business Scope and Advantages



Advantages of two companies

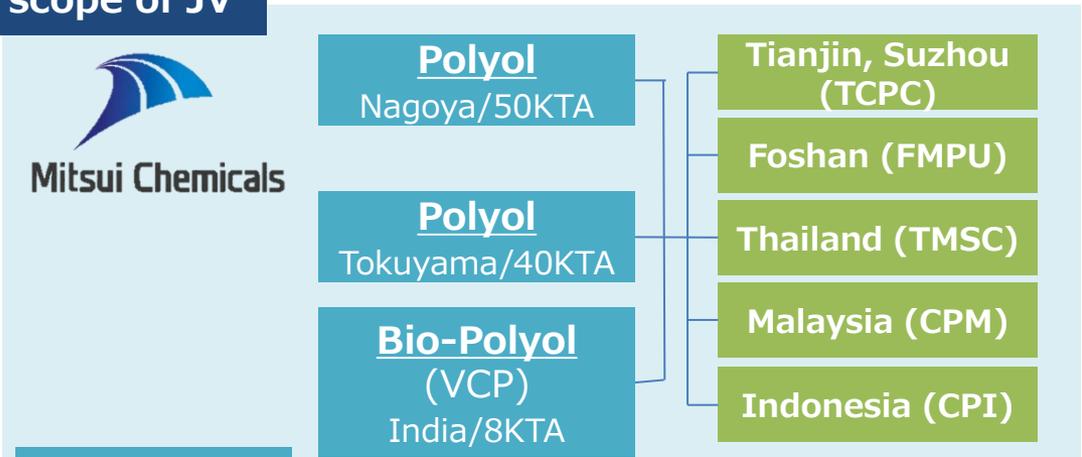
SKC
PO
 (Propylene oxide)
 Ulsan/310KTA



SKC

- Integrated competitiveness from raw material PO

Business scope of JV



Mitsui Chemicals

- Robust customer base in Korean automotive and appliances makers
- 3 strategic bases of system house (EU, U.S., China)

Joint Venture Total Capacity

MDI :260KTA
 TDI:237KTA
 Polyol:270KTA
 BioPolyol:8KTA



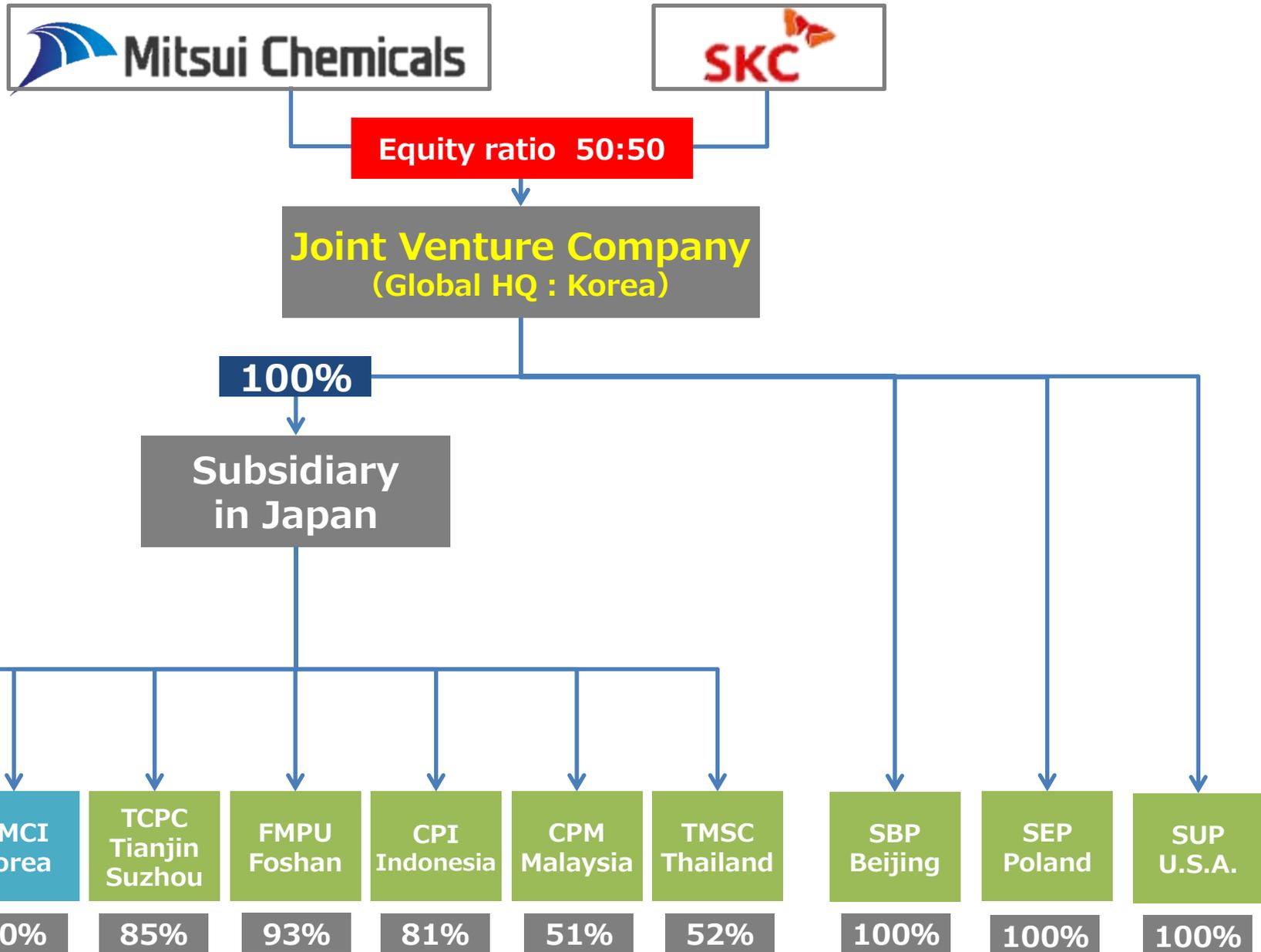
※ **JV contract production of TDI and MDI at Omuta and Kashima Works**

Terminate in May 2016

Mitsui Chemicals

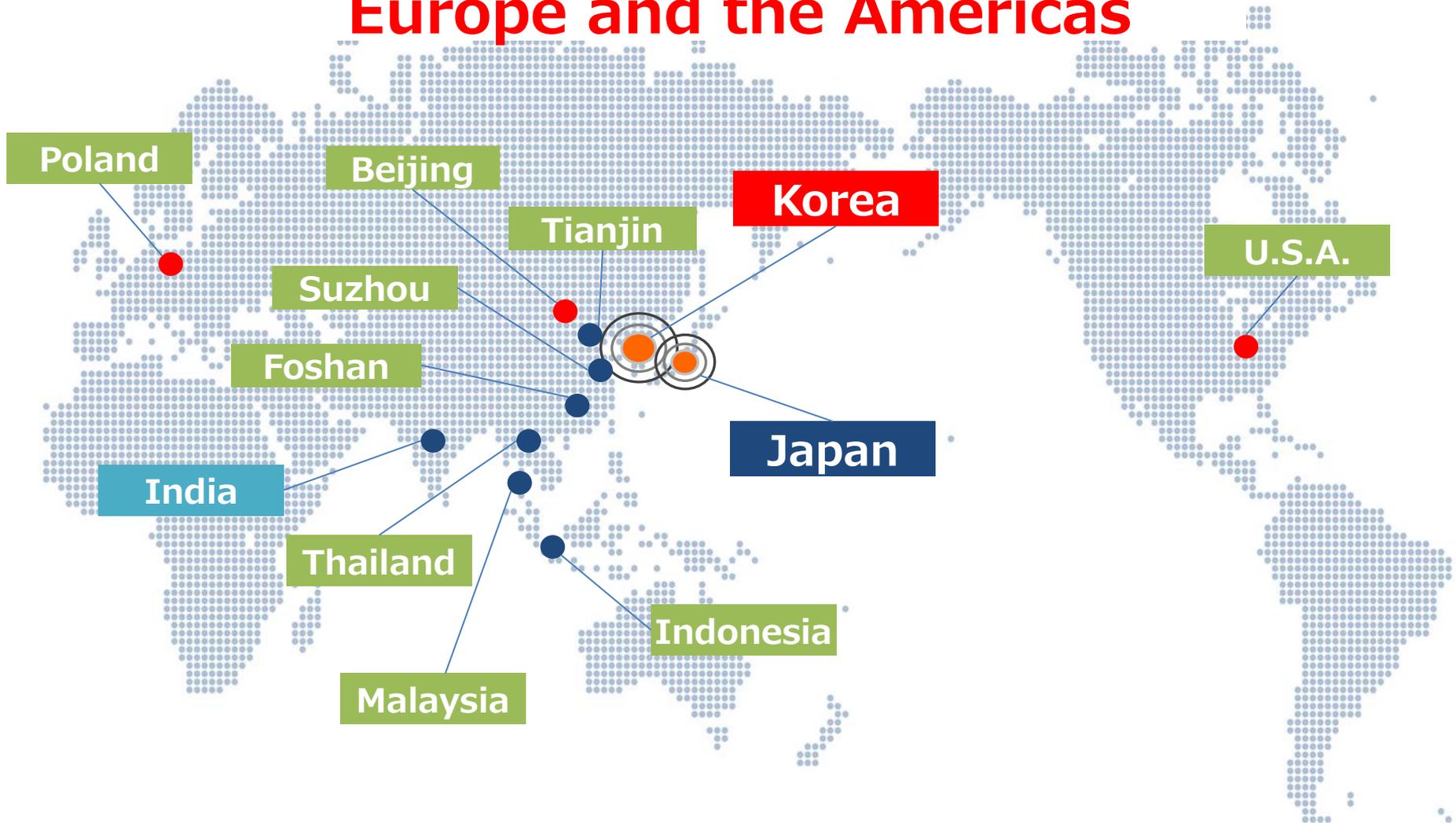
- Robust system house network in Asia
- Robust customer base in Japanese automotive and appliances makers
- Competitive plants
- State-of-the-art R&D capabilities

5. Final Structure of JV



6. Global Network for System Products

Build system house network serving not only Asia but also Europe and the Americas



7. Synergy Effect

- Increase sales from consolidation of production sites and sales network of parent companies
- Improve costs from consolidation of technology, production know-how, and quality management of parent companies
- Accelerated and efficient research and development

Synergy effect of US\$ 20 million + α

8. Basic Strategy and Target of JV

Purpose

Provide total solutions to customers as a global comprehensive manufacturer of polyurethane materials

Basic strategy

Satisfy customer needs in growing markets

- Fully utilize the global networks of MCI and SKC covering Far East Asia, China, ASEAN, Europe, and the Americas based on close relationships with customers and the provision of quick and efficient technical services

Explore new businesses globally

- Develop new applications and customers through consolidation of products and technologies of MCI and SKC

Improve profitability

- Secure global top cost competitiveness by optimizing resources/maximizing efficiency and taking advantages of parent company raw materials

Target (Around 2020)

Sales
US\$ **2,000** million

9. Conclusion①

① Establish optimum operations

Terminate non-competitive plants and maintain competitive plants

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(June, 2012)

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(Oct. 2014)

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② Global deployment of system products

Strengthen position by strategic deployment through business alliances



Establish JV with SKC (Apr. 1, 2015)

Provide total solutions to customers as a global comprehensive manufacturer of polyurethane materials

③ Expand specialty isocyanate business

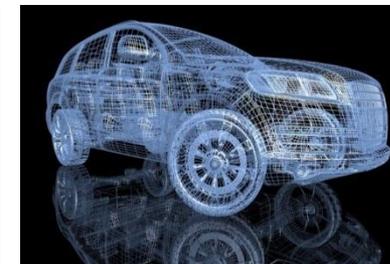
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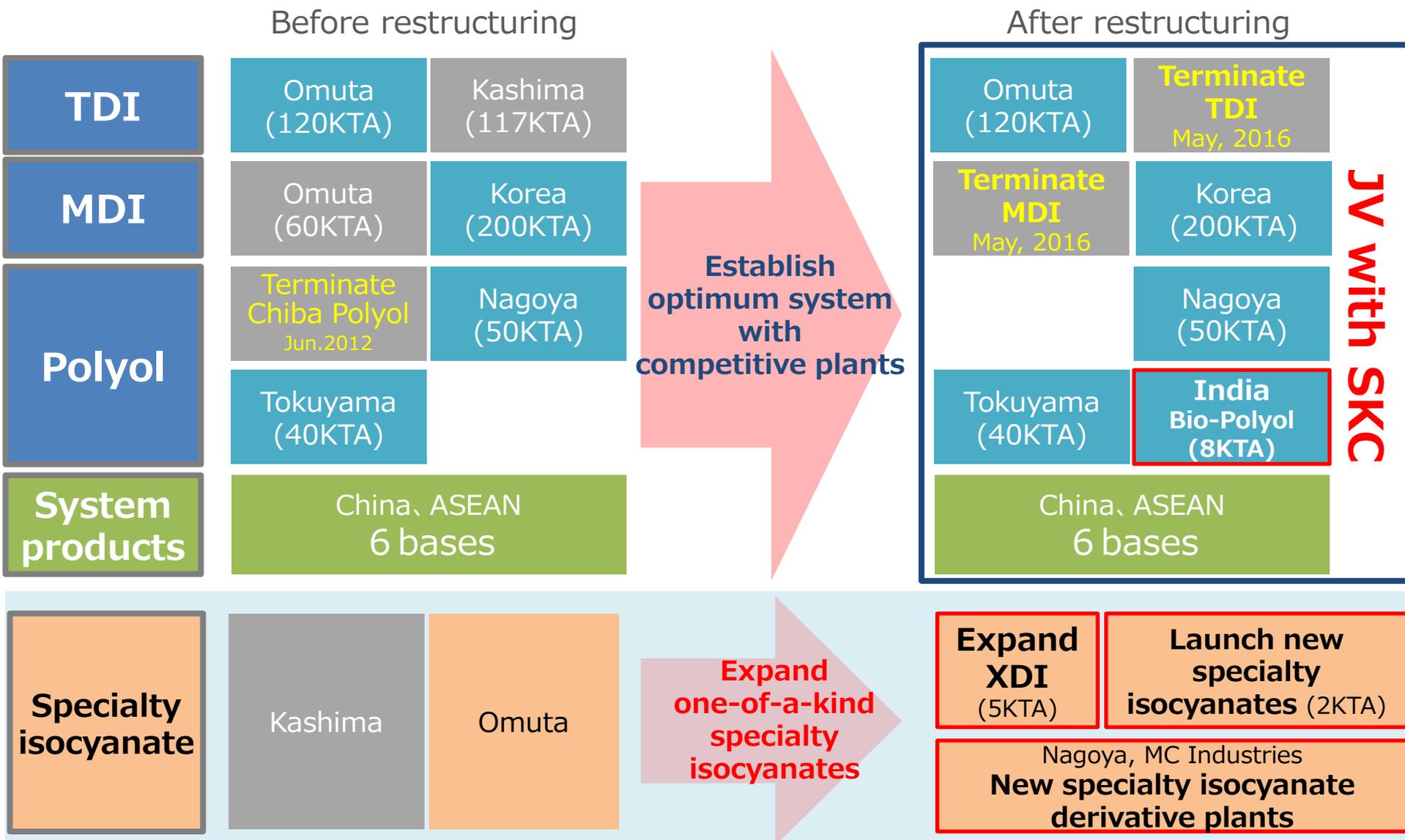
Launch new specialty isocyanates (Aug. 2016)

+2KTA



Steady progress in transforming Polyurethane Business portfolio

10. Conclusion②



Secure stable profit through business portfolio transformation

Creating New Customer Value through Innovation

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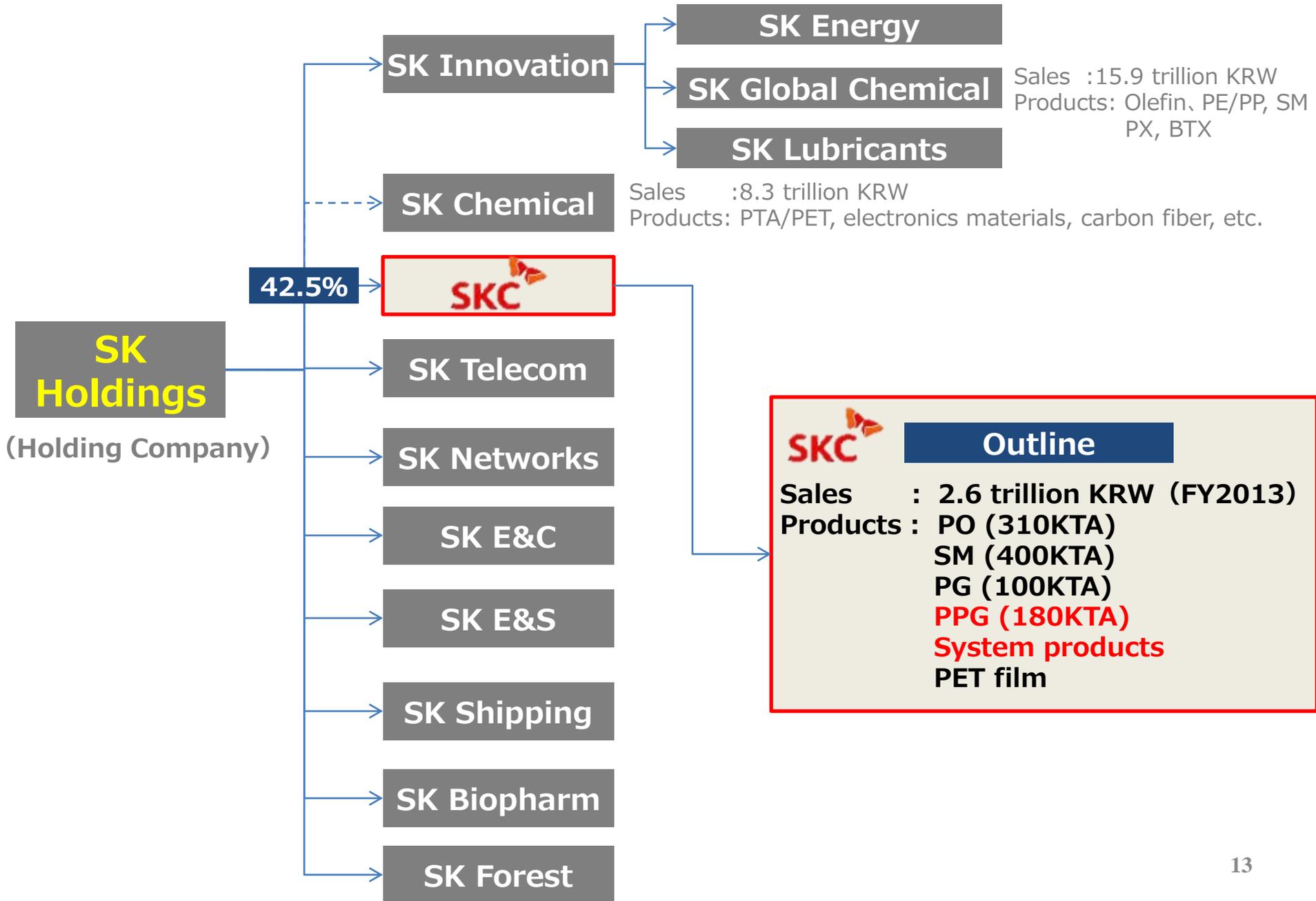
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Appendix1) About SKC



Appendix2) Strategic Bases of JV

JV Total Capacity
MDI : 260KTA, TDI:237KTA
Polyol: 270KTA, Bio-Polyol:8KTA

