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Mitsui Chemicals to Spin Off Styrene Monomer Business

Japan's leading chemical manufacturer Mitsui Chemicals, Inc. (MCI) and oil refiner as well as retailer Taiyo Oil Co., Ltd. (TOC) will establish a TOC-led joint venture company incorporating the styrene monomer (SM) business owned and operated by MCI at its Yamaguchi SM Plant in Ube, western Japan, the two companies announced today.

Under the latest basic agreement between MCI and TOC, MCI will assign all its SM business assets to the new company "Taiyo Petrochemical Co., Ltd." (TPC) by January 1, 2004 -- the target date for TPC to kick off its business operation consisting of production and sale of SM. TOC, MCI and yet unspecified third parties are scheduled to contribute to TPC's capital of 2 billion yen, with TOC holding the majority interest of 70.1 %, and MCI 9.9% and others 20.0%. TPC's chief executive will be dispatched from TOC.

The 40-person strong TPC to be headquartered in Tokyo is expected to achieve an initial-year sales of some 20 billion yen based on a production capacity of 294,000 ton/yr.

In promoting the basic strategy of focus and selection in its business portfolio under its medium-term business plan, MCI has been studying every option for the future of Yamaguchi Plant's SM business which the company had earmarked earlier for restructuring. MCI subsequently concluded that assignment of the business to a joint venture with TOC would be the best alternative and decided on such assignment this time, in view of the meshing of interest with TOC who was planning to make a full-scale entry into petrochemicals derivatives business.

Even after the assignment, MCI intends to maintain its shareholding in TPC and continue with its personnel deployment at the plant for the time being on a dispatchee basis.

As for SM needed for MCI's captive consumption including the feedstock requirement by its two joint venture companies with Sumitomo Chemical Co., Ltd., such requirements will be secured by toll production consigned to TPC. The joint ventures with Sumitomo are Japan Polystyrene Inc. and Nippon A&L Inc.

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