Mitsui Chemicals and SKC
Establish New Joint Venture for Polyurethane Material Businesses

Dec. 22, 2014
Mitsui Chemicals, Inc.
1. Policy of MCI Polyurethane Business

Establish optimum operations

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

Expand specialty isocyanate business

- Establish large-scale XDI plant (Oct. 2015) [+5KTA]
- Launch new specialty isocyanates (Aug. 2016)
  - Polyurethane elastomer/FORTIMO
  - Bio-polyisocyanate/STABiO [▲2KTA]

Global deployment of system products

- Polyurethane Sales 170 billion yen [63%]

Reinforce Coatings & Engineering businesses through specialty isocyanates.

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.

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

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

※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

PO (Propylene oxide)

Polyol

Isocyanates (TDI, MDI)

System products

Polyurethane products

Business scope of JV

- Cushion material for automotive
- Mattress and pillows
- Insulation for refrigerators
- Coatings for furniture and wood products, etc.
4. Business Scope and Advantages

**Business Scope of JV**

- **MDI (KMCI)**
  - Korea/200KTA

- **Polyol**
  - Ulsan/180KTA
  - Nagoya/50KTA
  - Tokuyama/40KTA
  - Bio-Polyol (VCP)
  - India/8KTA

- **TDI**
  - Omuta/120KTA
  - Kashima/117KTA
  - Terminate in May 2016

- **Joint Venture Total Capacity**
  - MDI: 260KTA
  - TDI: 237KTA
  - Polyol: 270KTA
  - BioPolyol: 8KTA

**Advantages of two companies**

- Integrated competitiveness from raw material PO
- Robust customer base in Korean automotive and appliances makers
- 3 strategic bases of system house (EU, U.S., China)
- Robust system house network in Asia
- Competitive plants
- State-of-the-art R&D capabilities

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

Terminate in May 2016
5. Final Structure of JV

Joint Venture Company
(Global HQ: Korea)

Mitsui Chemicals
SKC

Equity ratio 50:50

Subsidiary in Japan

VCP India
KMCI Korea
TCPC Tianjin
FMPU Foshan
CPI Indonesia
CPM Malaysia
TMSC Thailand
SBP Beijing
SEP Poland
SUP U.S.A.

40% 50% 85% 93% 81% 51% 52% 100% 100% 100%
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. Conclusion

1. Establish optimum operations
   - Terminate non-competitive plants and maintain competitive plants
   - Terminate Chiba Polyol (June, 2012) ▲28KTA
   - Terminate Kashima TDI (May, 2016) ▲117KTA
   - Terminate Omuta MDI (May, 2016) ▲60KTA

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
   - Reinforce Coatings & Engineering business through specialty isocyanates
   - Establish large-scale XDI plant (Oct. 2015) ▲5KTA
   - Launch new specialty isocyanates (Aug. 2016) ▲2KTA

Steady progress in transforming Polyurethane Business portfolio
10. Conclusion

Secure stable profit through business portfolio transformation

**Before restructuring**

- TDI: Omuta (120KTA)  Kashima (117KTA)
- MDI: Omuta (60KTA)  Korea (200KTA)
- Polyol: Omuta (120KTA)  Kashima (117KTA)  Nagoya (50KTA)  Tokuyama (40KTA)
- System products: China, ASEAN 6 bases

**After restructuring**

- TDI: Omuta (120KTA)  **Terminate** TDI May, 2016
- MDI: Korea (200KTA)  **Terminate** MDI May, 2016
- Polyol: Nagoya (50KTA)  Tokuyama (40KTA)  **India Bio-Polyol (8KTA)**
- System products: China, ASEAN 6 bases

**Establish optimum system with competitive plants**

- **Expand XDI** (5KTA)
- **Launch new specialty isocyanates** (2KTA)
- Nagoya, MC Industries
- **New specialty isocyanate derivative plants**

**Specialty isocyanate**

- Kashima
- Omuta

**JV with SKC**
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Appendix 1) About SKC

SK Holdings
(Holding Company)

SK Innovation

SK Global Chemical
Sales: 15.9 trillion KRW
Products: Olefin, PE/PP, SM, PX, BTX

SK Chemical
Sales: 8.3 trillion KRW
Products: PTA/PET, electronics materials, carbon fiber, etc.

SK Telecom

SK Networks

SK E&C

SK E&S

SK Shipping

SK Biopharm

SK Forest

SK Energy

SK Lubricants

Outline
Sales: 2.6 trillion KRW (FY2013)
Products:
- PO (310KTA)
- SM (400KTA)
- PG (100KTA)
- PPG (180KTA)
System products
- PET film
Appendix 2) Strategic Bases of JV

**Korea**
- Ulsan
  - Polyol (180KTA)
- Yeosu
  - Kumho Mitsui MDI (200KTA)

**U.S.A.**

**Poland**

**Beijing**

**Tianjin**

**Suzhou**

**Foshan**

**India**
- Bio-Polyol (8KTA)

**Thailand**

**Malaysia**

**Indonesia**

**Japan**
- Kashima
  - TDI (117KTA)
- Tokyo
- Omuta
  - TDI (120KTA), MDI (60KTA)
- Tokuyama
  - Polyol (40KTA)
- Nagoya
  - Polyol (50KTA)

**Global HQ**
- Yeosu Polyol (180KTA)

**JV Total Capacity**
- MDI: 260KTA
- TDI: 237KTA
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