

2023.02.08

Mitsui Chemicals, Inc.

Mitsui Chemicals, Asahi Kasei to Perform Joint Incorporation-Type Demerger for Nonwovens Businesses

Mitsui Chemicals, Inc. (Tokyo: 4183; President & CEO: HASHIMOTO Osamu) today announced that it intends to carry out a joint incorporation-type demerger with Asahi Kasei Corporation (Tokyo: 3407; President: KUDO Koshiro) for the two companies' nonwovens businesses, forming a new integrated company as of the tentative date of October 2, 2023. The companies have agreed on a business integration agreement that aims to carry on the operations that both companies run in Japan and Thailand for the production, development and sale of nonwovens-related products.

The joint incorporation-type demerger will enable the establishment of the new integrated company pending the acquisition of all clearances and approvals that are required in line with competition laws and other relevant laws in Japan and Thailand.

1. Background and objectives of the integrated company's establishment

Nonwovens represent a growth business for Mitsui Chemicals' Life & Healthcare Solutions business sector as part of the company's new Long-Term Business Plan "VISION 2030". Since beginning the production and sale of nonwovens in 1971, Mitsui Chemicals has leveraged its strength in integrated business operations – spanning upstream raw materials through to development and production – to develop and sell specialty products for a wide range of applications, including hygiene, industry, oil absorption, automotive interiors, civil engineering, filters and more. The company also opened up production and sales facilities in Thailand in 2001, allowing it to proactively pursue overseas expansion.

However, with competing manufacturers in Asia increasing their production capacity in recent years – and tariffs being repealed due to the implementation of the RCEP – it is expected that competition in the nonwovens market will only further intensify in the coming years. This consideration led Mitsui Chemicals and Asahi Kasei to hold a series of discussions centered around what form their nonwovens businesses should take going forward, with both aiming to maintain competitiveness, ensure stable earnings and keep up business expansion. Ultimately, the two companies determined that the best way to strengthen their businesses in this realm would be to spin them off, establish a new integrated company that brings them together and manage them in that manner going forward.

Asahi Kasei began developing, manufacturing and selling products in the spunbond nonwovens market in 1973, and continues to operate this business both in Japan and overseas. Using the technologies it has built up over its long history in the fibers and textiles business, Asahi Kasei develops unique products here that are then employed by customers in a wide range of fields, spanning hygiene materials through to industrial materials and lifestyle materials. The company has also proactively pursued overseas expansion after opening up production and sales facilities in Thailand in 2012.

2. Plans for establishing the integrated company through a joint incorporation-type demerger

In order to unify the various capabilities of Mitsui Chemicals' and Asahi Kasei's nonwovens businesses, the companies intend to strengthen their governance systems and maximize their synergy in sales, production, procurement and R&D by working under the following plans:

- ① All of Mitsui Chemicals' nonwovens-related businesses (with the exception of the company's business for SWP™ fibrillated polyolefin fiber) are to be integrated with Asahi Kasei's spunbond business and cartridge filter business.
- ② The Japanese production sites for the integrated company will be Mitsui Chemicals' wholly owned subsidiary Sunrex Industry Co., Ltd. in Mie and Mitsui Chemicals' Nagoya Works in Aichi, with Asahi Kasei's plant in Moriyama providing outsourced production. Overseas production sites Mitsui Hygiene Materials (Thailand) and Asahi Kasei Spunbond (Thailand) Company will continue to carry out production and sales as subsidiaries of the integrated company.
- ③ The manufacturing business centered around spunbond facilities at Asahi Kasei's plant in Moriyama is set to be merged into the integrated company by way of an absorption-type merger at a later date.

3. Overview of the integrated company

Company name	Mitsui Chemicals Asahi Life Materials Co., Ltd.
Head office	2-1, Yaesu 2-chome, Chuo-ku, Tokyo
Establishment	October 2, 2023
Capital	500 million yen
Ownership	Mitsui Chemicals: 60.62% Asahi Kasei: 39.38%
Representative	To be determined
Business	Spunbond & meltblown nonwovens, breathable films, shape-holding fibers, filters
Areas of business	Hygiene materials: Diapers, period products, masks, medical goods, etc. Industrial materials: Goods for industry (e.g. the automotive sector), lifestyles, agriculture, civil engineering, etc.
Products	Spunbond PP (SYNTEX™, AIRYFA™, TAFNEL™, <u>Eltas™</u>), spunbond PET (SYNTEX™, <u>Eltas™</u> , <u>Precisé™</u> , <u>Smash™</u> , <u>PULSHUT™</u>), spunbond PLA, spunbond elastic resin (SYNTEX™), meltblown PP (SYNTEX™, SYNTEX™ -Nano), breathable film (ESPOIR™), shape-holding fibers (TEKNOROTE™), filters (<u>EUTEC™</u>). Includes filter system business using non-woven fabric, polyolefin hyperbranched fiber SWP™ is not subject to transfer. (<u>Underlined text</u> represents products that will come from the merger with Asahi Kasei)
Sales revenue	48.3 billion yen (as of 2022)
Employees	Approximate 700 (consolidated)

4. Forecast

The new company to be established through the joint incorporation-type demerger will be a consolidated subsidiary of Mitsui Chemicals. There will be no significant impact to Mitsui Chemicals' consolidated results. The company resulting from the joint incorporation-type demerger is slated to be established on October 2, 2023. Mitsui Chemicals will endeavor through this move to maintain and bolster its presence in the Japanese and Asian markets.

References:

■ Company overviews

Company name	Mitsui Chemicals, Inc.	Asahi Kasei Corporation
Head office	Shiodome City Center, 5-2, Higashi-Shimbashi 1-chome, Minato-ku, Tokyo 105-7122	1-2, Yurakucho 1-chome, Chiyoda-ku, Tokyo 100-0006
Representative	President & CEO HASHIMOTO Osamu	President & Representative Director KUDO Koshiro
Established	July 1, 1955	May 21, 1931
Capital	125.57 billion yen (as of March 31, 2022)	103.39 billion yen (at March 31, 2022)
Business	Diversified chemicals business	Diversified chemicals business
Employees	18,780 (consolidated, at end of March 2022)	46,751 (consolidated, at end of March 2022)

■ Overview of terminology

- Spunbond nonwovens

Used in a wide range of applications, including diapers, masks and other such hygiene materials; automotive interiors, construction, filters and other such industrial materials; and hand warmers, drink filters, daily necessities and other such lifestyle materials.

- Meltblown nonwovens

Able to facilitate ultrafine fibers, meltblown nonwovens are used in masks and other such hygiene materials; protective equipment; operating gowns and other such medical materials; high-performance industrial filters and more.

Contacts for inquiries about this project

Corporate Communication Div. Mitsui Chemicals, Inc.

URL; https://form.mitsuichemicals.com/corporate/cc_pr_csr_en