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Mitsui Chemicals, Idemitsu Kosan, and Sumitomo Chemical Concluded a Definitive Agreement for the Business Integration of Sumitomo Chemical's PP and LLDPE Businesses into Prime Polymer, Aiming to Strengthen the Competitiveness of the Polyolefin Business in Japan

Mitsui Chemicals, Inc.
Idemitsu Kosan Co., Ltd.
Sumitomo Chemical Co., Ltd.

Mitsui Chemicals, Inc. (head office: Chuo-ku, Tokyo; President & CEO: Osamu Hashimoto; hereinafter “Mitsui”), Idemitsu Kosan Co., Ltd. (head office: Chiyoda-ku, Tokyo; Representative Director and President: Noriaki Sakai; hereinafter “Idemitsu”), and Sumitomo Chemical Co., Ltd. (head office: Chuo-ku, Tokyo; Representative Director and President: Nobuaki Mito; hereinafter “Sumitomo Chemical”) have, as stated in the news release published on September 10, 2025, entered into a Memorandum of Understanding regarding the integration of the polyolefin (PO) business operated by Prime Polymer Co., Ltd. (head office: Chuo-ku, Tokyo; President: Fumio Yoshizumi; hereinafter “PRM”), a joint venture between Mitsui and Idemitsu, with Sumitomo Chemical's polypropylene (PP) business and linear low-density polyethylene (LLDPE) business in Japan (such integration, the “Business Integration”), with the aim of enhancing the competitiveness of the PO business, including PP and polyethylene (PE), in Japan. The companies now hereby announce that, after thorough review, they have concluded a business integration agreement (“Business Integration Agreement”) and a joint venture agreement regarding the Business Integration.

The implementation of the Business Integration is subject to the completion of necessary clearances, regulatory permissions and approvals under competition laws and other relevant laws and regulations.

1. Background and Purpose of the Business Integration

PO, which accounts for approximately 50% of the demand for plastics in Japan, is a material used in a wide range of applications including automobiles, electronic materials, and medical devices, making itself essential to Japanese industries. Although domestic PO manufacturers have undergone mergers and consolidations since the 1990s, the issue of oversupply has yet to be resolved. Due to the shrinking market caused by population decline and changes in lifestyle, the demand for domestically produced PO is expected to decrease even further in the future.

Since its establishment in 2005 as a joint venture between Mitsui and Idemitsu, PRM has been a leader in the Japanese PO industry, with PP and PE (LLDPE and high-density polyethylene (HDPE)) as its main products. PRM and Sumitomo Chemical have a shared understanding that integrating Sumitomo Chemical's PP and LLDPE businesses in Japan into PRM will not only strengthen the domestic PO business but also enhance its competitiveness against imported products. The Business Integration is expected to generate significant synergies both in the production of PRM and Sumitomo Chemical, both having operating bases in the Keiyo region of Japan, and in the development of technologies to reduce environmental impact.

Through the Business Integration, Mitsui, Idemitsu, and Sumitomo Chemical will work together to optimize the PO production system, with the goal of achieving cost savings of more than 8 billion yen per year, thereby further strengthening their competitiveness as resilient and essential companies. Furthermore, by enhancing their capabilities to develop high-performance and environmentally conscious products, Mitsui, Idemitsu, and Sumitomo Chemical will accelerate efforts to achieve a sustainable green chemical business.

2. Overview of the Business Integration

In the Business Integration Agreement, Sumitomo Chemical and PRM have agreed that, of the two companies' PO businesses, Sumitomo Chemical's PP business and LLDPE business in Japan will be subject to the Business Integration.

Furthermore, in order to achieve the Business Integration as swiftly as possible, regarding the method of implementing the Business Integration, they have agreed that Sumitomo Chemical will transfer its businesses subject to the Business Integration to PRM through a two-phase absorption-type split (the first phase of the absorption-type split will hereinafter be referred to as "Absorption-Type Split Phase One," and the second phase as "Absorption-Type Split Phase Two"). In consideration for Absorption-Type Split Phase One, Sumitomo Chemical will acquire equity shares equivalent to a 20% stake in PRM. As a result, PRM will become a joint venture company in which Mitsui holds a 52% stake, Idemitsu holds a 28% stake, and Sumitomo Chemical holds a 20% stake. The consideration for Absorption-Type Split Phase Two will be a split value to be separately agreed upon by Sumitomo Chemical and PRM.

Regarding the two-phase absorption-type split, the parties have agreed that the first phase will be the implementation of Absorption-Type Split Phase One, in which all of the businesses subjected to the Business Integration, excluding manufacturing functions, will be transferred, and the scheduled system integration preparations at PRM will be completed. Following this, the second phase will be the Absorption-Type Split Phase Two, in which the assets and liabilities, contractual status, and contractual rights and obligations associated with the manufacturing functions of the businesses will be transferred. For further information, please refer to Sumitomo Chemical's timely disclosure announcements.

(<https://www.sumitomo-chem.co.jp/english/news/files/docs/20251224e.pdf>)

Integrated Company	Prime Polymer Co., Ltd. (PRM)
Locations of PO Operations	PRM: Tokyo Head Office, Nagoya Office, Osaka Office, Fundamental Research Laboratory, Packaging & Industrial Materials Laboratory, Automotive Materials Laboratory, Ichihara Works, Anesaki Works, and Osaka Works, Tokuyama polypro Co.,ltd, and Prime Evolve Singapore Pte. Ltd. Sumitomo Chemical: Tokyo Head Office, Nagoya Branch, Chiba Works, and Essential & Green Materials Research Laboratory
Share Ratio	Before integration: Mitsui: 65%; Idemitsu: 35%

	After integration: Mitsui: 52%; Idemitsu: 28%; Sumitomo Chemical: 20%
Conclusion of an Agreement on Absorption-Type Split Phase One	April 1, 2026 (planned)
Effective Date of Absorption-Type Split Phase One	July 1, 2026 (planned)
Conclusion of an Agreement on Absorption-Type Split Phase Two	January 2027 (planned)
Effective Date of Absorption-Type Split Phase Two	April 1, 2027 (planned)
Scope of Integration	PRM: (Domestic) PP business, LLDPE business, and HDPE business (Overseas) LLDPE business Sumitomo Chemical: (Domestic) PP business and LLDPE business <i>*Only the compound business in Japan is included in the integration; the overseas business is not included.</i>
Domestic Production Capacity	Before integration: PP: 1.26 million tons/year; PE: 0.55 million tons/year After integration: PP: 1.59 million tons/year; PE: 0.72 million tons/year
Net Sales	387.3 billion yen (an aggregation of PRM's net sales and the net sales of Sumitomo Chemical's PP and LLDPE businesses in Japan for FY2024)

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Idemitsu Kosan Co.,Ltd.

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