

MEDIA RELEASE

27 May 2015

CCS CLEARS PROPOSED ACQUISITION OF DUPONT'S GLOBAL NEOPRENE BUSINESS BY DENKA AND MITSUI

The Competition Commission of Singapore ("CCS") has cleared the proposed acquisition by Denka Performance Elastomer LLC, a joint venture between Denki Kagaku Kogyo Kabushiki Kaisha ("Denka") and Mitsui & Co., Ltd. ("Mitsui"), of the chloroprene rubber ("CR") business of E.I. du Pont de Nemours and Company ("DuPont") (the "Proposed Transaction"). CCS has concluded that the Proposed Transaction will not substantially lessen competition in any market in Singapore, and therefore will not infringe the section 54 prohibition of the Competition Act (Cap. 50B) (the "Act"). Denka¹, Mitsui² and DuPont³ (collectively "the Parties") overlap in the supply of CR worldwide, including to Singapore. Denka Performance Elastomer LLC is currently owned by Denka (70%) and Mitsui (30%).

2. CR is a general-purpose synthetic rubber that is widely used in the manufacturing industry to make adhesives, car parts, general industrial products and other products. Currently all supplies of CR in Singapore are imported, and over 90% of these supplies come from the Parties. As such, CCS has examined whether there would be a substantial lessening of competition in the market for the global supply of CR to Singapore, if the Proposed Transaction is carried into effect.

3. In assessing the Proposed Transaction, CCS sought and received feedback from industry stakeholders. None of the stakeholders who responded (including customers and competing global manufacturers of CR) raised concerns with the Proposed Transaction. After reviewing the Parties' submissions and feedback from industry stakeholders, CCS concluded that notwithstanding the high combined market share of the Parties in Singapore, the Proposed Transaction, if carried into effect, is unlikely to lead to a substantial lessening of competition and accordingly, will not infringe section 54 of the Act, for the reasons stated below.

¹ Headquartered in Japan, Denka engages in, amongst other things, the manufacture and distribution of various chemical products, including styrene-based resins, acetylene-based organic chemicals (such as CR), fertilizers, inorganic chemicals, cement & cement additives, electronic materials and pharmaceutical products. Denka produces CR from its plant in Omi, Japan.

² Mitsui is a trading company headquartered in Japan. Mitsui focuses on several business areas, such as metals, machinery & infrastructure, chemicals, energy, lifestyle and innovation & corporate development. Mitsui does not produce CR, but distributes Denka's CR worldwide.

³ DuPont is headquartered in Delaware, USA. It is a science, technology and engineering company which develops products, materials and services in a wide range of sectors, focusing on agriculture and nutrition, industrial biosciences and advanced materials. DuPont produces CR under the brand name "Neoprene" from its plant in Louisiana, USA.

-
4. In clearing the Proposed Transaction, CCS found that:
- a) There are no significant barriers to entry that may hinder or prevent existing global CR manufacturers and distributors from expanding or entering the market for supplying CR to Singapore. Existing global CR manufacturers can easily expand production, and potential competitors who are not currently active in supplying CR to Singapore are able to supply into Singapore should there be demand for their CR. This is mainly due to excess capacity in global CR production. Furthermore, ease of entry is facilitated by distributors who can aggregate demand; and entry for several potential competitors is also aided by the presence of their subsidiaries or sales offices currently located in Singapore;
 - b) Singapore's demand for CR is small in relation to the significant excess capacity in global CR production. The ability of the merged firm to act unilaterally (e.g. to raise prices) is constrained as other global CR manufacturers with spare capacity can meet such demand;
 - c) There is considerable countervailing buyer power. Customers are able to (and do) switch between various suppliers of CR. Moreover, some Singapore customers are part of multinational groups which have the option of buying CR at prices negotiated on a global basis;
 - d) Coordinated effects are unlikely to be a concern due to low barriers to entry by potential suppliers as well as the difficulty in monitoring prices and compliance with any common understanding among existing CR suppliers.
5. CCS issued its clearance decision for the Proposed Transaction to the Parties on 7 May 2015, within the 30 working days period for Phase 1 review. More information about the Proposed Transaction and CCS's Grounds of Decision can be found under "[Public Register – Mergers & Acquisitions](https://www.ccs.gov.sg/public-register-and-consultation/public-register/mergers-and-acquisitions)" on the CCS's website (<https://www.ccs.gov.sg/public-register-and-consultation/public-register/mergers-and-acquisitions>).

- End -

About The Competition Commission of Singapore

CCS is a statutory board established under the Competition Act (Cap. 50B) on 1 January 2005 to administer and enforce the Act. It comes under the purview of the Ministry of Trade and Industry. The Act empowers CCS to investigate alleged anti-competitive activities, determine if such activities infringe the Act and impose suitable remedies, directions and financial penalties.

About the Section 54 Prohibition under the Competition Act & Merger Procedures

Section 54 of the Act prohibits mergers that have resulted, or may be expected to result, in a substantial lessening of competition in Singapore.

CCS is generally of the view that competition concerns are unlikely to arise in a merger situation unless:

- The merged entity has/will have a market share of 40% or more; or
- The merged entity has/will have a market share of between 20% to 40% and the post-merger combined market share of the three largest firms is 70% or more.

Merging entities are not required to notify CCS of their merger but they should conduct a self-assessment to ascertain if a notification to CCS is necessary. If they are concerned that the merger has infringed, or is likely to infringe, the Act, they should notify their merger to CCS. In such cases, CCS will assess the effect of the merger on competition and decide if the merger has resulted, or is likely to result, in a substantial lessening of competition in Singapore. CCS will endeavour to issue a decision within 30 to 120 working days, depending on case complexity.

In the event that CCS makes an unfavourable decision, CCS has the power to issue directions to remedy, mitigate or eliminate the adverse effects arising from the merger situation.

For more information, please visit www.ccs.gov.sg.

For media clarification, please contact:

Ms. Grace Suen
Assistant Director
Communications
Competition Commission of Singapore
Email: grace_suen@ccs.gov.sg
DID: 6325 8216