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TOMOE ENGINEERING COMPANY, LTD.

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July 6, 1977

PLAINTIFF'S EXHIBIT
UC-2261

Mr. J. L. Myers
Marketing Manager
Union Carbide Corporation
Metals Division
P. O. Box 579
Niagara Falls, N. Y. 14302

Subject: Review of Calidria Asbestos for the Second Quarter

Dear Mr. Myers:

The estimate for the 2nd quarter was achieved somehow, as the stock control was concluded in the first quarter.

As reported in our May 6th letter, however, the movement of home and building materials is still stagnant. Furthermore, we are trying on market development for resin grade, but taking time because of its dispersion problem.

As regards the spots of RG244 for PBT as referred in your telex TEC-62, we entirely agree with your opinion, but Toray, being a late starter, is trying to develop a product with better outlook and quality than those of Celanese.

Japanese users tend to make much of the appearance of a product more than necessary as well as its quality, and we have to meet such requirement well knowing it's needless, for otherwise development of new customers is difficult. Therefore, upon the visit of someone from UCC in this fall, we would like him very much to solve this problem.

Please note below for sales status of respective grades.

SG-100 for Vinyl Asbestos Tile

	APRIL	MAY	JUNE	(Unit: Ton)
Nittobo	65	79	49	
Matsushita	20	0	10	
TOTAL	85	79	59	

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Matsushita, for its bitter hatred of asbestos because of the steady annual rise in suppliers price and the toxicology problem involved, is developing asbestos-free vinyl tiles, and in June it replaced half of the asbestos content with synthetic textile and put out on the market. Should this new product succeed, our sales to Matsushita would drop to about 10 tons/month, about half of the past amount.

HPP-EX and AS-200 for Ceiling Tile and Paper

	APRIL	MAY	JUNE	(Unit: Ton)
Nitto Boseki	60	69	63	
Matsushita Denko	68	57	52	
Honshu Seishi	18	16	19	
Others	20	16	18	
Daiken	87	88	110	
TOTAL	253	246	262	

In the rockwool ceiling tile business, overall production is still low due to protracted recession in the construction industry. Among them, however, Matsushita Denko alone indicates a little growth in the 2nd quarter over the first, because of its development of a new grade tiles for general residential housing in addition to those for ordinary ceiling boards for buildings. Stimulated by Matsushita, other makers such as Nitto Boseki and Daiken Kogyo have started sale of similar products for residential uses, which would hopefully prompt growth in our HPP sales in this area.

In the paper industry, Sanyo Kokusaku Pulp conducted a mill trial using 7 tons HPP for pitch control purpose with successful results, but thereafter they began testing Mistron Vapor which is currently still underway. They would decide upon which one to pick up comparing performance and price of these products. Mistron has maintained its original price for years since its domestic production, which resulted now in a wide price difference between it and HPP. Furthermore, talc is exempt from the dust control regulations which is definitely to our disadvantage.

T-135 (P) for Paper

	APRIL	MAY	JUNE	(Unit: Ton)
Daishowa Seishi	7	5	8	
Sanzen Seishi	15	10	0	
Others	4	4	4	
TOTAL	26	19	12	

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Currently TiO_2 is amid severe price competitions in the Japanese market, and particularly in the paper industry, it is in dumping sales as off grade material because of the lack of severe quality requirements. Major paper manufacturers are buying TiO_2 for ¥260 - ¥270 per kilo and under such situation our T-135 (P) with the current price does not offer much incentive to users toward its trial involving some business risk. Hence our sales failed to measure up to what we had initially anticipated. However, lately the European TiO_2 which once was supplied for very low cost has ceased to come in, which we expect would push prices up to the level of current quotation (¥330 - ¥340/kg). Should the price of TiO_2 recover to this level, our T-135 (P) would become competitive in the market with its price advantage. in view of this we deem there still exists much potential for our product.

Incidentally, the zero figure for Sanzen Seishi in June is because of temporary shutdown of its factory for maintenance.

HPO for Rockwool Spray Material and Plastics

(Unit: Ton)

	APRIL	MAY	JUNE
Nittobo (Rockwool)	13	15	10
Matsushita (Phenol)	1	3	3.5
Showa High Polymer (Phenol)	2	4	2
Toshiba Chemical (Phenol)	0	1.4	0.5
Telnite	5	0	0
Others (Mastics, caulks)	2	4.6	3
TOTAL	23	28	19

For Nittobo, the current sale of 12 tons/month will be carried on for the time being. In the Phenolic field we had anticipated 8 tons/month sale but actually resulted in 5 tons because of the Showa High Polymer failing to increase production. Incidentally, Show's production capacity is 15-20 tons as converted to HPO consumption. Demand for HPO in Phenolic field will remain at 5 tons/month for some time.

At Telnite, its need for HPO is rather on spot basis because of the nature of its application. In the mastics and caulks field, our initial estimate of 8 tons/month was not attained due mainly to a drop in demand for acrylic acid ester decorative boards of Toa Gosei Co., resulting in 5 tons/month sale, which will also continue as is. Toa Gosei claims the last delivery of 12.3 tons would last until July. The sales in this field will also stay at 5 tons/month.

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We are keeping up our sales mainly to the rockwool spray and mastics applications. At Sakai Plant of the Nippon Steel Chemical Co., 20 tons per month of Carey's 7 Class asbestos are being used for rockwool spray application. While this company as its policy would like to preclude the use of asbestos as much as possible, we emphasized that the use of HPO would make a good start for its lower asbestos content. They responded favorably with interest and began studying HPO.

SG130 for Premix and Rockwool Spray Material

	APRIL	MAY	JUNE	(Unit: Ton)
Koshin Chemical (Premix)	5	5	14	
Nichiasu Kosen (Rockwool)	0	0	0	
TOTAL	5	5	14	

Koshin's polyester premix is enjoying brisk business with its high demand in summer time for such applications as boats, yachts and fisherboats. Nichiasu has just completed its inventory adjustment and its order for 8 tons is anticipated in July.

Both companies request price decrease of SG130 as they have experience of using Canadian asbestos. Therefore we are planning a cost down by one time delivery to customer of imports after customs clearance. We will place order with you 30 days in advance normally, but in case of emergency order may we have your kind cooperation to effect timely delivery.

RG144 for Plastics

	APRIL	MAY	JUNE	(UNIT: TON)
Nippon Special Paint (Sealant)	1.6	2.4	0.8	
Cemedine (Sealant)	2.4	2.8	2.8	
Meiko (Putty)	3.0	0	1.6	
Kyowa Sangyo (Mastics)	3.0	0	3.0	
Others (Paint, caulks)	2.5	2.1	1.8	
TOTAL	12.5	7.3	10.0	

At Cemedine, consumption of RG144 has increased by 1 ton/month upon its modification of sealant from solvent type to RG144 type. The business with Kyowa Sangyo remains sound for the application to the plaster. However the container sealant of Nippon Special Paint is not doing well, its drop in RG144 consumption offsetting the gains at the above two accounts. Nippon Special Paint claims the decrease was because of the drop in demand, not due to formulation change. If its purchase could recover to 5 tons/month level the total demand for RG144 would amount to 13 tons/month.

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RG244 for Polyester Resin

	APRIL	MAY	JUNE	(Unit: Ton)
Hitachi Kasei	2.3	2.3	4.5	
Suzuka Paint	1.9	1.9	1.9	
Others	3.1	4.5	4.0	
TOTAL	7.3	8.7	10.4	

Mitsui Toatsu is still continuing its study on PP with RG244 with positive attitude in a hope to find good use of this low cost Calidria. Shortly they will sample trial product with RG244 to users. We will send you one of them when obtained.

Yours very truly,

TOMOE ENGINEERING CO., LTD.

H. Fukuma

H. Fukuma
Inorganic Chemicals Section

HF/mh

cc: Dr. A. L. Zecha
Mr. M. Kanno

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