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UCC-CALIDRIA

MAIN OFFICE:  
DAINI MARUZEN BUILDING  
9-2, NIHONBASHI 3-CHOME, CHUO-KU  
TOKYO, JAPAN

TOMOE ENGINEERING COMPANY, LTD.

(ANNEX OFFICE)  
SHIN SHIN KAIKAN BUILDING  
14-1, NIHONBASHI 3-CHOME, CHUO-KU  
TOKYO, JAPAN

cc: REB  
RLS  
WCT

CABLE ADDRESS: "EOMOT"  
TELEX: 02223508 EOMOT J  
TELEPHONE: TOKYO 274-0411

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

Subject: Current Status of Calidria Asbestos

Dear Mr. Myers:

Since the first of the year the automobile and electrical appliance industries have shown spectacular economic recovery, however the home building and paper manufacturing industries who use Calidria asbestos are still in the economy recession.

For the months of June and July as related to domestic sales we are encountering one of our worst periods.

Furthermore, from 1 October of last year the regulation for asbestos became more stringent, and just during that time as the Canadian asbestos strike coincided, the big asbestos users began to seriously study the problem for a substitute material.

For instance, in the dumping sheet field they had been using about 1,000 tons per month of Canada 7 class material, however currently about 500 tons per month of that they have switched over to material containing waste paper.

As indicated above as the atmosphere to promote the sales of asbestos is very poor, from the standpoint of timing it is a very difficult time to promote sales.

For future focal point of our sales we hope to place the emphasis on the T-135 and resin grade; consequently please note this report on the status of the respective applications.

(1) SG-100 for Vinyl Asbestos Tiles

With the home building industry still in the recession, furthermore as the vinyl asbestos tile market is being penetrated by the cushion floor tile and carpets the slow down of production by the respective manufacturers is still being continued.

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|            | <u>June</u> | <u>July (Forecast)</u> | <u>August (Forecast)</u> |
|------------|-------------|------------------------|--------------------------|
| Nittobo    | 30 tons     | 30 tons                | 30 tons                  |
| Matsushita | 20 tons     | 20 tons                | 10 tons                  |

Production is approximately 50% of 1975. For the building industry using asbestos they were hit the hardest, and in the future too for this field, rather than SG-102 SG-100 will be continued to be imported.

(2) AS-200 and HPP for Ceiling Tiles

Calidria asbestos is being used for ceiling tile of the high rise buildings but ever since last year the construction of such building has decreased, consequently the use of AS-200 and HPP has not increased.

Furthermore, as indicated by our telex number JLM-35, due to cost savings by Daiken Kogyo Company there is possibility to changeover from AS-200 to SG-100. As of this date the production of Eidai Sangyo Company's ceiling tiles continues to be closed.

|            | <u>June</u> | <u>July (Forecast)</u> | <u>August (Forecast)</u> |
|------------|-------------|------------------------|--------------------------|
| Nittobo    | 57 tons     | 57 tons                | 57 tons                  |
| Matsushita | 40          | 40                     | 40                       |
| Eidai      | 0           | 0                      | 0                        |
| Daiken     | 80          | 70                     | 70                       |

Concerning the respective companies, they hope to see the economy recover from about September. Furthermore, by September the Eidai Company is to decide formally as to whether they will run their plant or not.

(3) HPP & T-135 for Paper

In the specialized paper industry where the Calidria asbestos is being used, they are still confronted with slowdown of operation.

Especially in regard to Honshu Seishi Company who is one of our biggest customers, from June due to cost savings they switched over from T-135 (P) to HPP.

For the loss of business with Honshu Seishi (T-135 10 tons per month) we hope to cover this loss by selling to another plant of the Daishowa Paper Company.

At present, we are aggressively contacting Sanyo Kokusaku Pulp Company to promote the sales of T-135. This company has 3 plants, and currently they are using about 120 tons per month of TiO<sub>2</sub> which is being used as additive to improve on opacity.

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The Sanyo Kokusaku Pulp Company is purchasing  $TiO_2$  at considerably lower price than other companies, and about 15% of its total amount appears to be off grade.

As this company could possibly make a largest future customer for T-135 (potential 20 - 40 tons/month), we are trying to sell to this company by all means, offering a price very close to the original cost. But the toxicology problem of asbestos is becoming a concern of this company.

At a plant of this company, T-135 will be table-tested next week, and if successful result comes out of it, we will offer additional 1 ton as no charge sample for their mill trial. Two other plants of Sanyo Kokusaku Pulp Company are also interested in the coming results of this mill trial.

|       | <u>June</u> | <u>July (Forecast)</u> | <u>August (Forecast)</u> |
|-------|-------------|------------------------|--------------------------|
| T-135 | 18 tons     | 15 tons                | 15 tons                  |
| HPP   | 26          | 24                     | 24                       |

If Sanyo Kokusaku Pulp succeeds in this mill trial, our total sales of T-135 will more than double the current amount. We will keep you informed on this case.

(4) RG244

For RG244 applications, while its main competitive material is Aerosil, in parallel with ever tightening regulations against asbestos dust, users are getting nervous about dust effects in the use of asbestos. Under this situation our efforts to obtain new customers are scarcely effective.

We are trying to eliminate users misgivings about asbestos dust effect by various means, such as distribution of the data you have provided and offer of dust measurements etc. We are also keeping aggressive contacts with FRP fabricators. But efforts such as these are not producing much effect to increase sales, barely keeping up the current sales level.

Meanwhile, at Hitachi Kasei Kogyo, RG144 and RG244 are under evaluation for their new application as the traffic paint material, and technically speaking a fairly good result is being obtained. But the work environment of those traffic paint factories is extremely bad, and adoption of these grades are currently held pending improvement of the exhaust system and other environmental requirements of such factories.

A fairly large market is anticipated of this application; from Hitachi Kasei alone 1 - 2 tons/month demand is expected for RG244. Therefore, we are planning to exert aggressive sales efforts in this field also.

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Durrent Demand

|                     | <u>June</u> | <u>July (Forecast)</u> | <u>August (Forecast)</u> |
|---------------------|-------------|------------------------|--------------------------|
| Hitachi Kasei Kogyo | 2.3 tons    | 1.6 tons               | 2.3 tons                 |
| Others              | 3.7         | 3                      | 4                        |

(5) RG144

|                      | <u>June</u> | <u>July (Forecast)</u> | <u>August (Forecast)</u> |
|----------------------|-------------|------------------------|--------------------------|
| Nippon Tokushu Toryo | 3 tons      | 3 tons                 | 3 tons                   |
| Cemedain             | 1           | 1                      | 1                        |
| Meiko                | 1           | 1                      | 1                        |
| Others               | 2           | 2.5                    | 3                        |

Nippon Tokushu Toryo; This company has been using 5 tons/month of RG144 for maintenance coating of containers, but a drop began to be noted in its demand from March this year. We have no way of telling when its recovery could be, as their production is upon on-order basis.

In order to expand sales of RG144, we are taking several sales promotion measures such as advertisement on a construction paint journal and direct-mailing to 40 potential users we have picked up, with the hope for favorable market expansion in future.

(6) HPO

|                    | <u>June</u> | <u>July (Forecast)</u> | <u>August (Forecast)</u> |
|--------------------|-------------|------------------------|--------------------------|
| Nitto Boseki       | 5 tons      | 10 tons                | 10 tons                  |
| Showa High Polymer | 3           | 3                      | 5                        |
| Taihei Seishi      | 2           | 2                      | 2                        |
| Matsushita Denko   | 1.5         | 1.5                    | 1.5                      |
| Toshiba Chemical   | 1           | 1                      | 1                        |
| Meisei Charchil    | 1           | 1                      | 1                        |
| Others             | 2.5         | 2.5                    | 2.5                      |

Nitto Boseki: Initially we had a prospect for a sale of 15 tons/month, for rockwool spray binder, but it is said the demand would drop by about 30% from June through August.

Showa High Polymer: The company was using 5 tons/month for arc control of molding phenolic resin, but lately the demand dropped to 3 tons/month due to a molding problem involving some grades. The resin was found responsible for this problem, however, and its solution is anticipated in near future.

(7) SG-130

Users strongly repulsed the hefty price increase effected for this grade in January 1976. Particularly Hitachi Kasei promptly decided on its discontinuance of SG130, as we previously reported.

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We are somehow holding two companies as our SG130 customers, the status of which are briefly reported below:

Nichiasu Kosen: We have been selling 10 tons/month, or 50 tons in total, of SG130 as a binder for rockwool spray material, but have had no orders from April through July from this company. The cause for the lack of orders in this period is the harsh competition among rockwool sales in the construction industry, which was intensified by a decrease in the number of buildings constructed recently, and our product is losing battle in price competition to competitive ones using lower cost asbestos. Approximately 30 tons asbestos are being used for this application, and hence we could anticipate 30 tons/month potential from this customer, if price becomes acceptable. Through close contact up to the present moment we have confirmed SG130 is still to be continuously used for a part of their grades.

In this viewpoint, we have worked for costdown of SG130 by all conceivable means. Of course our profit margin is next to nil in this markup, yet still the price we thus set is higher by ¥20/kg than the competitive Canadian asbestos. This company appreciates the value of Calidria, but the difference of ¥20/kg means a lot to them (\$2,000/month for 30 tons). Therefore, they desire further decrease, which, however, is utterly impossible for us. Consequently we have to ask for your cooperation to bring down the price, if feasible, to \$5.50/lb (FOB King City).

If the business picks up in the fall and our request for such FOB price reduction could be complied with, our SG130 sales to this company could possibly amount to a vicinity of 30 tons/month.

Koshin Chemical: Using 3 tons/month of SG130 for polyester premix. Though they appreciate Calidria asbestos performance, they strongly repulse the large price increase. Therefore we are selling to this company with very narrow profit margin as we do to Nichiasu Kosen Co.

We have 30 tons of SG-130 in stock at present. We wish to place order with you again around September, which although depends on the recovery of demand on the part of Nichiasu Kosen.

So much for the current status of our Calidria asbestos sales. We sincerely desire your close discussion with Mr. Oishi as to the current and future directions of Calidria asbestos upon his coming visit to your office in the end of this month.

Yours very truly,

TOMOE ENGINEERING CO., LTD.

*H. Fukuma*  
H. Fukuma

HF/mh

cc: Mr. F. S. Wada  
Mr. K. Oishi  
Mr. M. Kanno

*\* WCT - please comment on  
price reduction jlfm  
7/19/76*