
 MITSUBISHI MONSANTO CHEMICAL COMPANY

FROM LOCATION Tokyo
 DATE January 31, 1972
 SUBJECT MMK'S PCB PROGRAM
 REFERENCE Your Memo 1/6/72
 TO Mr. George F. Wingard
 St. Louis, Mo.

cc: Messrs.
 A. J. A. Bryan
 W. R. Corey
 Howard Bergen

Monsanto's program has been reviewed here. MMK will institute a similar plan but leading to complete elimination of this product line.

PCB

1. Plasticizer or "Open" use

Discontinued all sales as of 12/31/71

2. Electrical

Customers advised to switch to substitute materials - January, 1972.

Target date to terminate sales: July 31, 1972

3. Heat Transfer Applications

Target date for sales termination

- a) For new installations: March 31, 1972
- b) For replenishing on previous sales:- March 31, 1973*

* No shipment where there is possibility of pollution. Also, an earlier date may occur if MMK can switch customers to Kaneka as source.

Disposal: At customer's request for disposal of Santotherm FR and customer expense of ¥5,000/drum, returned material will be accepted until March 31, 1973.
 (This will be incinerated at Yokkaichi.)

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PCT

MMK has been re-selling material made by another company. By July 31, 1972, all customers will be converted to purchase from the basic manufacturer or referred to Kaneka.

Exports

Aroclors will be exported only on Monsanto orders and will follow the time-table of Monsanto. If "Hold Harmless" letters are acceptable, shipments will continue until June 30, 1972. If not, exports will terminate March 31, 1972.

The facilities involved at MMK have estimated book value on June 30, 1972 of the following:

Biphenyl/Terphenyl	¥230,545,000
Chlorination area	91,708,000
Blending	15,220,000
Hydrogenation (HB-40)	23,685,000
Total	<u>¥361,158,000</u>

The chlorination and blending area will be shut down and, if not operated, depreciation need not be taken, effective July 1, 1972. We will keep on stand-by while we look for other processes which might use this facility (limited possibility so very likely the chlorination unit will be cannibalized for value and the remainder written off -- probably ¥71,000,000, approximately \$230,000). MMK cannot take the write-off in 1972, so perhaps it will be 1973. We hope to be able to justify continuing biphenyl/terphenyl. Justification depends on volume of operations. We are trying to persuade Yawata Chemical to shut down, since they can produce only biphenyl/terphenyl ratios of 90/10. MMK can supply Japan's needs at 50/50, a better balance with reduced demand for PCB.

"Hold Harmless"

In MMK's view from our business relationships, it will be impossible in Japan to expect our electrical customers of Aroclors to maintain 100% of the liability for damages. Kanekafuchi Chemical will not follow such a procedure. Furthermore, Kanekafuchi is involved as manufacturer of

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Kaneclor in the rice-bran oil incident and probably cannot terminate operations. At the moment, Kaneka apparently will continue selling on a broad basis subject only to regulations or laws of individual countries.

From the legal viewpoint, MMK's attorney is discouraging because of the lack of precedent. Moreover, in Japan, it is his opinion that the Hold Harmless contract "is likely to be invalid and unenforceable as an agreement against public policy, on the ground that Monsanto's torts are induced by such undertaking (an agreement which has such effect has been held invalid)."

Please let me know if there are questions. The MMK program will be formally approved by MMK in early February.


J. R. Durland

JRD:fu