

Decision Made to Increase Capacity at Chiba Phenol

Mitsui Chemicals, Inc. (MCI) and Idemitsu Kosan Co., Ltd. (Idemitsu) have decided to strengthen and expand their phenol business by increasing output capacity at Chiba Phenol Co., Ltd., a joint venture of the two companies. This move is in response to the substantial increase in demand for bisphenol A and phenol resin, two of the primary products made from phenol and acetone.

Capacity Expansion Plan

1. Joint venture: Chiba Phenol Co., Ltd. (MCI 55%, Idemitsu 45%)
2. Capacity increase: Phenol 30,000 tons/year, (200,000 230,000 tons/year)
Acetone 20,000 tons/year, (60,000 80,000 tons/year)
3. Construction work: Improvement of the existing plant
4. Timetable: Construction start January 2006
Completion April 2006

In Asia, each of bisphenol A and phenol resin accounts for about 45% of phenol demand. Bisphenol A is a raw material for polycarbonate resin, is growing for use in home construction, electronic materials and other market segments. Bisphenol A is also used for epoxy resin, which is used in paint, electric and electronic components and many other products.

Phenol resin is also used in a broad array of products, including automotive brake pads and reinforced glass.

Solvent accounts for about 65% of total demand for acetone in Asia. In addition, about 20% of acetone is used to produce bisphenol A and about 15% is used to produce methyl methacrylate, a raw material for polymethacrylate resin.

Strong demand in Asia for products used for home construction and electronic materials is fueling demand for phenol and acetone, in parallel with bisphenol A, phenol resins, solvents and other products. Demand for phenol and acetone is expected to continue to grow quickly at an annual rate of about 10%. Due to this favorable outlook, the decision was made to increase output capacity for these two materials.