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Idemitsu and Mitsui Chemicals Initiate a Comprehensive Study for Cooperation in Chiba Area

Japan's independent petroleum company Idemitsu Kosan Co., Ltd. (IKK) and its subsidiary Idemitsu Petrochemical Co., Ltd. (IPC) [collectively Idemitsu Group], and leading chemicals manufacturer Mitsui Chemicals, Inc. (MCI) will work toward realizing a cooperative setup in Chiba Area, the bayside industrial zone east of Tokyo, they said in a joint announcement today.

For such purpose, they have entered today into a tripartite Letter of Intent (LOI) outlining their agreement to conduct a comprehensive study aiming for the envisaged cooperative arrangement.

The latest move by the parties is a result of their preliminary discussions based on a common recognition that there are limitations to rationalization efforts by individual companies, given the increasing severity of international competition in the fields of petroleum refining and petrochemicals.

With the objective of strengthening the international competitiveness of their petroleum refining/petrochemical complexes in Chiba Area, the three parties will embark upon a joint study based on the LOI, for achieving a series of cooperative arrangements transcending the barrier between the petroleum refining and petrochemicals industries and the corporate framework of each company.

The study will cover a broad spectrum of subjects ranging from feedstocks and hydrocarbon fractions to petrochemical products, in addition to site operation platforms and work activities.

As a result of realizing the cooperative setup, the three parties are expected to drive their respective management strategy as follows:

1. Idemitsu Group will further integrate their petroleum refining and petrochemicals operations in an effort to:
 - 1) Achieve increased value added of feedstocks and hydrocarbon fractions from petroleum refining, and at the same time,
 - 2) Strengthen the cost competitiveness of refineries and petrochemical works.
2. MCI will promote a radical change in the structure of its petrochemicals business, namely:
 - 1) Diversification of cracker feedstocks
 - 2) Shift from ethylene- to propylene-based operation, and
 - 3) Differentiation.

The parties intend to henceforth enter into formal agreements as concrete cooperative schemes result from their joint study, and put such schemes into actual implementation.

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