



May 17, 2004

Mitsui Chemicals and Idemitsu in Polyolefins Business Consolidation

Japan's leading chemicals manufacturer Mitsui Chemicals, Inc. (MCI) and independent petroleum company Idemitsu Kosan Co., Ltd. (IKK) as well as its subsidiary Idemitsu Petrochemical Co., Ltd. (IPC) [collectively "IDM"], have reached a basic agreement today on establishing a joint venture company consolidating their polyolefins businesses in April 2005, subject to approval by the Japanese Fair Trade Committee with whom they are already holding consultations, they said in a joint announcement.

MCI and IDM had entered into a tripartite Letter of Intent (LOI) on February 3, 2004, outlining their agreement to conduct a comprehensive study aiming for a cooperative arrangement. Under the LOI, the parties have been conducting, among other things, a study regarding the polyolefins business consolidation.

The outline of the joint venture company (New Company) as envisaged under the basic agreement today are as follows:

1. Name of New Company : Undecided
2. Head Office Location : Shiodome City Center, 1-5-2, Higashi-Shimbashi, Minato-ku, Tokyo
3. Nature of Business : Manufacture and sale of polypropylene (PP) and polyethylene (LDPE, LLDPE & HDPE)
4. Business Launch Date : April 1, 2005
5. Capital (Equity Ratio) : ¥20 billion (MCI : IDM = 65 : 35)
6. Sales Revenue Scale : ¥220 billion (Simple sum of MCI & IDM's '04 polyolefin sales)
7. Production Capacity : Refer to Attachment 1
8. Management : Board Directors 6 (MCI: 4, IDM: 2)
Statutory Auditors 3 (MCI: 2, IDM: 1)
 - MCI to dispatch Rep. Director & President
 - IDM to dispatch Rep. Director & Vice President

The basic mission of the New Company forming a part of the comprehensive arrangement between MCI and IDM, will be to strategically consolidate the two parties' worldwide polyolefins businesses in all aspects of production, sales and research, and to pursue maximization of shareholder value through expanded business scale and synergy effect.

The two parties will work together to structure the setup of the New Company as follows, so that it may operate with maximum synergy in production, sales and research:

- Production Maintain ownership of all of MCI and IDM's polyolefins production facilities as well as all or a part of the shares of their Japanese domestic polyolefins production affiliates; formulate production plans and administer their actual results; and make decisions regarding the investment / rationalization / scrap & build of production facilities.
- Sales Strengthen the sales networks of the two parties not only in Japan but also in the growing Asian market in order to satisfy customer needs. Moreover, further drive the expansion of the automotive PP materials business into the U.S. and European markets in addition to the Asian market.
- Research Actively promote new product grades development and new applications development by leveraging MCI and IDM's fertile polyolefins technology and know-how platforms, in order to meet the ever more sophisticated customer needs.

Because comprehensive linkage among the two parties, the New Company and existing MCI/IDM polyolefin JV's is indispensable for building up the foregoing setup, creation of an organizational network as per Attachment 2 will be promoted.

Furthermore, MCI and IDM expect a consolidation synergy effect worth more than ¥6 billion per year domestically by 2008, by implementation of such measures as rationalizing production, logistics & sourcing, work-out of overlapping personnel and exploiting the synergy effect between production technology and R&D.

With the business environment surrounding the polyolefins business undergoing ever-intensifying severity these days, the New Company will pursue further optimization and efficiency centered at production, sales and research toward achieving increased international competitive strength, and respond more accurately and promptly as ever to customer needs. MCI and IDM requests the stakeholders for their kindest support and cooperation as usual for the New Company.

>>>><<<<<

MCI and Idemitsu's Production Capacities

Product	Own (and Tolled) Production Capacity	(1,000 ton/yr)	Share in Total Domestic Capacity (%)
PP	Mitsui Chemicals	670	
	(Ube Polypropylene)	90	
	Idemitsu Petrochemical	400	
	(Tokuyama Polypro)	200	
	Total	1,360	44.8
LDPE	(DuPont-Mitsui Polychemical)	70	5.2
LLDPE	Mitsui Chemicals	96	
	(Evolue Japan)	150	
	Idemitsu Petrochemical	60	
	Total	306	29.3
HDPE	Mitsui Chemicals	208	
	Idemitsu Petrochemical	130	
	Total	338	26.3
P E Total		714	19.4 (No. 2 in Japan)
Polyolefins Total		2,074	

- Note: 1) Share in total domestic capacity is based on each company's production capacity as of December 31, 2003, as surveyed by Japan Petrochemical Industry Association. Provided, however, that MCI's production capacity includes the new PP plant at Osaka Works (April 2004 On-stream; 300,000 ton/yr).
- 2) LDPE capacity corresponds to amount of scheduled tolling to DuPont-Mitsui Polychemical for Fiscal 2004.
- 3) LLDPE capacity under Evolue Japan corresponds to MCI's off-take amount.

New Company's Corporate Network

