

Mitsui Chemicals Decides On Large-scale PP Scrap & Build Investment

Japan's leading petrochemicals manufacturer Mitsui Chemicals (MCI) has decided to strengthen the cost competitiveness of its polypropylene (PP) business through a large-scale scrap-and-build (S&B) project in Japan, the company announced today.

MCI currently has a cumulative PP supply capacity of 703,000 tons per year through : a total of three production sites of MCI's fully owned PP subsidiary Grand Polymer Co., Ltd.(GRP) ; MCI's equity-proportionate off-takes from Ube Polypropylene Co., Ltd. in which GRP has an 81-percent interest; and purchases from Ukishima Polypro Co., Ltd. GRP is due to be absorbed back into MCI proper on April 1, 2002.

MCI under its S&B scheme intends to boost the competitive strength of its PP business in the general purpose field in view of the Japanese customs duty reduction expected in 2004, by scrapping the less competitive plants and newly constructing a state-of-the-art PP plant which would be fully competitive against imports.

Specifically, MCI plans to close down one PP line at GRP's Takaishi site as well as two lines at Sakai site, both in areas south of Osaka, while at the same time discontinuing PP purchases from Ukishima, and newly building at its Osaka Works a 300,000 ton/year plant utilizing MCI's proprietary "Hypol II" PP process. Construction is scheduled to begin in September this year for completion in September 2003, with commercial operation to start in January 2004. Investment for the new plant is expected to be around 12 billion yen.

The total capacity of the plant closures to be executed sequentially until the end of 2003 following the completion of the new plant, will amount to 261,000 ton/year in total capacity.

For further information, please contact:

Mitsui Chemicals, Inc. Corporate Communications Division

Tel: +81-3-3592-4060

Restructuring of MCI's PP Operation Setup by S&B

(Unit: 1,000 ton)

Site/Source	Current Capacity	Action	New Capacity
Ichihara, Chiba	221	No change	221
Takaishi, Osaka	251	Close 108 New Plant	143 300
Sakai, Osaka	120	Close 120	0
Ube PP	Off-take (Equity share) 78	No change	78
Ukishima PP	Purchase 33	Discontinue 33	0
Total	703		742