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Mitsui and Sumitomo to Dissolve Polyolefins JV

Mitsui Chemicals, Inc. (MCI) and Sumitomo Chemical Co., Ltd. (SCC) have agreed to dissolve their polyolefins joint venture "Sumitomo Mitsui Polyolefin Co., Ltd." (SMPO) on October 1, 2003, the two parents announced today.

Established on April 1, 2002, SMPO -- capitalized at ¥7 billion and headquartered in Tokyo -- is engaged in the business of sales and R&D of polyolefins (PO) comprising polyethylene (PE) and polypropylene (PP). The capacities of its PO production, consigned to the parent companies, are 950,000 ton/yr and 1 million ton/yr, for PE and PP, respectively.

With the assumption that MCI and SCC would consolidate their entire businesses as originally planned, SMPO had kicked off its business operation starting from April 2002, ahead of the then-envisaged MCI/SCC consolidation ("consolidation"), in order to achieve an early synergy of the consolidation in the PO field.

After the cancellation of their consolidation in March this year, MCI and SCC had been continuing their mutual consultations as to the subsequent management and operation of SMPO. As a result, the two parents have now arrived at an agreement that they would individually pursue their respective PO business according their own PO business strategy, and to amicably dissolve the joint venture SMPO.

Pursuant to such an agreement, SMPO would return its sales and R&D functions to its parent companies, so that MCI and SCC would engage in their own PO production, sales and R&D activities.

Moreover, once SMPO will have been dissolved, the employees who have been seconded to SMPO would be returned to their respective originating parent company.

The parents hereby express their deepest gratitude to SMPO's customers

for the outstanding support and cooperation directed to the joint venture all this time. They will make sure that most careful and utmost efforts would be made henceforth in order to prevent any inconvenience to the customers and all those parties concerned in connection with the absorption of the SMPO functions back into the parent companies.

As a result of SMPO's dissolution, MCI will be independently pursuing anew its own PO business starting October 1, 2003.

In spite of the increasingly difficult market environment, MCI will strive as usual toward achieving the "Strong and Excellent Mitsui Chemicals". Leveraging its global-level cutting-edge catalysis, production and plastics fabrication & processing technologies, MCI will powerfully promote the structural improvements of its PO business comprising :

- (1) Stronger product differentiation embodying a further shift toward higher-value added functional polyolefins, and
- (2) Further shifting of feedstock from ethylene to propylene, and to aromatics.

At the same time, MCI intends to push ahead with focused and vigorous business development by keeping in sight the possibilities of new cooperations and alliances across the entire width of PO-related domain starting with petroleum refining all the way to plastics fabrication & processing.

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