



October 7, 2004

Mitsui Chemicals to Exit from Acrylonitrile Production & Sale

Japan's Mitsui Chemicals, Inc. (MCI) has decided to exit from the production and sale of acrylonitrile (AN) and to secure the AN requirements of MCI and its domestic affiliate companies through toll production by an external company Asahi Kasei Chemicals (AKC), MCI announced today.

In the latest move, MCI is scheduled to close down its AN production unit of 59,000-ton/yr capacity at its Osaka Works in May 2005. Under the new toll production arrangement, AKC will manufacture the entire quantity of AN required by MCI and its domestic affiliate companies, with the raw material ammonia to be supplied by MCI.

Pursuing the objective of changing its business structure and boosting its bottom line under its current medium-term business plan, MCI is endeavoring to further strengthen the profitability of the Petrochemicals and Basic Chemicals sector by concentrating on internationally competitive core businesses through focus and selection.

With such a background, what prompted the company's decision to exit this time was the AN business environment clouded by an outlook of increasing excess AN supply in the market. In Asia, AN is expected to enjoy steady demand growth mainly in China, but the supply-and-demand balance there is on a relaxing trend, with new and expanded AN capacities constantly coming on stream. On the domestic front, demand for major AN derivatives such as acrylic fibers is undergoing a significant decline.

But at the same time, in the AN derivatives businesses such as acrylamide -- one of MCI's technological competencies, the company intends to continue strengthening and expanding such businesses based on AN supply from AKC, the world's No. 2 AN manufacturer marked by high competitive strength.

>>>><<<<<