



December 10, 2004

## Mitsui Chemicals and Idemitsu to Establish Joint Venture in Polyolefins Business

Japan's leading chemical player Mitsui Chemicals, Inc. (MCI) and independent petroleum company Idemitsu Kosan Co., Ltd. (IKK) have signed a joint venture agreement as well as a corporate spin-off plan today on establishing a joint venture company in polyolefins business in April, 2005 (through a joint new corporate spin-off, *kyodo shinsetsu bunkatsu* in Japanese), by the spin-offs of both companies' polyolefin businesses, they said in a joint announcement.

MCI and IKK had entered into bipartite Basic Agreement on Polyolefins Business Consolidation on May 17, 2004. Based on this agreement, the two parties had conducted a further study aiming for establishing a new, joint venture company. MCI and IKK had received the response from the Japanese Fair Trade Commission, that the consolidation does not pose any legal problems against the Anti-monopoly Law, effective November 30, 2004.

Also, the cooperative arrangement by the two parties had acquired the certification from the Ministry of Economic, Trade and Industry as the business reorganization plan which was conforming to the Revised Industrial Revitalization Law, effective today.

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

1. Name of New Company: Prime Polymer Co., Ltd.
2. Head Office Location: Shiodome City Center, 1-5-2 Higashi-Shimbashi, Minato-ku, Tokyo
3. Business Launch Date: April 1, 2005
4. Nature of Business: Manufacture, sale and R&D of polypropylene (PP) and polyethylene (LDPE, LLDPE & HDPE)
5. Capital (Equity Ratio): ¥20 billion (MCI 65%, IKK 35%)
6. Net Sales Scale: ¥240 billion (Simple sum of MCI and IKKs' 2004 polyolefin sales)
7. Production Capacity: Refer to Attachment 1

## 8. Management:

- Rep. Director & President  
Mineo Kimura
- Rep. Director & Vice President  
Shinji Hamada
- Number of Board Directors including President and Vice President 6 (MCI: 4, IKK: 2)
- Number of Statutory Auditors 3 (MCI: 2, IKK: 1)

The basic mission of the New Company forming a part of the comprehensive arrangement between MCI and IKK is to pursue the maximization of shareholder value by consolidating the two parent companies' worldwide polyolefins businesses in all aspects of production, sales and R&D through expanded business scale and the highest synergy effect. With this consolidation, the New Company will aim to capture the growing polyolefins market in the world including Asia, while further strengthening the domestic polyolefin-business platforms, based on the technologies and marketing power that its parent companies have cultivated up to this day.

The New Company will push ahead with the following measures in an alliance with its parent companies, so that it may generate the maximum synergy effect. The target is to aim for more than ¥10 billion per year by 2008.

### Early Realization of Rationalization Effect

Restructure the organization and the functions of the two parent companies in production, sales and R&D in order to reorganize the setup of the New Company which allows the early realization of maximum synergy effect.

### Fundamental Improvement in Business Structure

Conduct the fundamental improvements in profit structure, while changing business structure, by pushing ahead with the actions such as heading for higher-functional and high-value-added business fields with integrating both parent companies' strengths in their products and technologies, reviewing the profitability of each business field, reorganizing the production sites and facilities as well as supply-chain innovation.

### Capture of Growing Market

Aim for capturing the growing market mainly in Japan and Asia (worldwide for the PP-compound automotives application) by developing new products and new technologies, which meet the increasingly sophisticated market needs, with integrating both parent companies' technologies and marketing power.

With the recent business environment surrounding the polyolefins business undergoing further intensifying severity, the New Company will respond more accurately and promptly as ever to customer needs by transferring and maximally leveraging the two parent companies' efficient production system, sales network, technologies as well as know-hows. MCI and IKK request all the stakeholders for their continued support and cooperation as usual for the New Company.

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## 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 Kosan	400	
	(Tokuyama Polypro)	200	
	<b>Total</b>	<b>1,360</b>	<b>44.8</b>
LDPE	(DuPont-Mitsui Polychemical)	70	5.2
LLDPE	Mitsui Chemicals	96	
	(Evolue Japan)	150	
	Idemitsu Kosan	60	
	<b>Total</b>	<b>306</b>	<b>29.3</b>
HDPE	Mitsui Chemicals	208	
	Idemitsu Kosan	130	
	<b>Total</b>	<b>338</b>	<b>26.3</b>
P E Total		714	19.4 (No. 2 in Japan)
<b>Polyolefins Total</b>		<b>2,074</b>	

- 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.