

February 28, 2012
Mitsui Chemicals, Inc.

Study on Future Business Alliance with SABIC and Restructuring of Polyurethane Business

Mitsui Chemicals, Inc., with its head office in Tokyo, Japan, (Toshikazu Tanaka, President & CEO) and Saudi Basic Industries Corporation (“SABIC”), with its head office in Riyadh, Kingdom of Saudi Arabia, (Mohammed Al-Mady, Vice Chairman & CEO) announced a License Agreement for manufacturing technology of TDI and MDI, the raw material of polyurethane, and to study further possible business alliances. In light of this agreement, Mitsui Chemicals will restructure its polyurethane business.

1. License Agreement (refer to news release “*Mitsui Chemicals Signs Manufacturing Technology License Agreement for TDI and MDI with Saudi Basic Industries Corporation*”)

- Licensed Technology: Mitsui Chemicals proprietary TDI and MDI manufacturing technology
- Date of Agreement: February 26, 2012
- Commercial Operation: 2016 (planned)
- Location: Al-Jubail, Kingdom of Saudi Arabia

2. Study for Further Business Alliances

Mitsui Chemicals will study further business alliances in polyurethanes with SABIC. The Company chose SABIC as a potential alliance partner in polyurethane business for the following reasons:

- a) SABIC wishes to enter into polyurethane business and evaluates highly Mitsui Chemicals’ proprietary polyurethane technologies including TDI/MDI manufacturing technology,
- b) Mitsui Chemicals wishes to establish a strategic supply base for competitive TDI/MDI using low cost raw materials available in the Middle East, and
- c) Mitsui Chemicals wishes to secure competitive TDI/MDI for its polyurethane downstream business which includes coating materials, engineering materials, and system houses.

SABIC will commence front end engineering and design (FEED) of its competitive world-scale, cutting edge TDI/MDI plant using Mitsui Chemicals’ proprietary technology.

Mitsui Chemicals will study further possible business alliances with SABIC in terms of business strategy as well as economical feasibility, which may include forming a joint venture company and conclude a concrete alliance plan in

2013 after the FEED has been completed by SABIC.

3. PPG Production Rationalization

Japanese demand for polypropylene glycol (PPG), a raw material of polyurethane, is expected to drop gradually over the mid to long-term. Mitsui Chemicals has decided to terminate production of PPG by June 2012 at Chiba Polyol Corporation, its 90% owned subsidiary, where approximately 28,000 tons are produced annually. The Company will continue production at its two other PPG production sites in Japan (Nagoya Works and Tokuyama Branch Factory).

The Company will cut costs and reinforce profitability by improvement of operational rate and other production rationalization.

4. Direction of Polyurethane Business

Mitsui Chemicals currently produce TDI and MDI at factories in Japan and also at Kumho Mitsui Chemicals, Inc. in South Korea. The company will optimize its production of TDI and MDI at existing facilities and the new facilities in Saudi Arabia. It is expected that those overseas facilities will become the main supply bases of Mitsui Chemicals.

Mitsui Chemicals will continue to strengthen its coating and engineering material operations, one of the five priority businesses in the Mid-Term Business Plan, by measures including strategic overseas investments.

Domestic sites, mainly Omuta Works and Kashima Works, have been making accelerated efforts to implement the cost reduction program targeting cost cuts of 8 billion yen by FY2015 (in comparison with 2010) and recently executed reduction in depreciation costs due to impairment loss for fixed assets. The cost reduction plan is expected to be attained with the amount of 3 billion yen in 2011.

The two Works will reinforce efforts to reduce manufacturing costs and improve other cost structures to increase profitability as the mother factories for the technology transfer to SABIC. The Company will accelerate expansion of current products and new product development and further strengthen the Works over the mid to long term by reforming portfolios through increased investment in functional chemicals such as agrochemicals, ophthalmological lens monomers, etc. and also high added value isocyanates which are used for adhesives and coating products.

Supplementary Information:

- SABIC outline
- Chiba Polyol Corporation outline
- Mitsui Chemicals Group's polyurethane material production capacities
- Diagram of polyurethane manufacture flow

SABIC outline

Name: Saudi Basic Industries Corporation
 Head Office: Riyadh, Kingdom of Saudi Arabia
 Business: Chemicals , Steel
 Capital: SR 30 billion
 Sales: SR 190 billion
 Shareholders: the Saudi Arabian government 70% ,Others 30%
 Establishment: September 1976

Chiba Polyol Corporation

Plant address: Goi Minami Kaigan 12-41, Ichihara City, Chiba Prefecture
 Business: Manufacture of PPG
 (all products are purchased by Mitsui Chemicals)
 Capital: 100 million yen (Mitsui Chemicals 90%, Nippon Soda Co., Ltd. 10%)
 Establishment: June 1985

Mitsui Chemicals Group’s polyurethane raw material production capacities
 (as of February 2012)

(Unit: tons/year)

	TDI	MDI	PPG
Omuta Works	120,000	60,000	—
Kashima Works	117,000	—	—
Kumho Mitsui Chemicals, Inc. (Korea)	—	155,000 (see note)	—
Nagoya Works	—	—	57,000
Tokuyama Branch Factory	—	—	50,000
Chiba Polyol Corporation	—	—	28,000

Note: Mitsui Chemicals announced Kumho Mitsui Chemicals’ MDI production expansion in July 2011. After the expansion, annual production will be 200,000 tons. Commercial operation is scheduled for January 2013.

Diagram of polyurethane manufacture flow

