

January 30, 2009

Mitsui Chemicals, Inc.

Mitsui Chemicals to Strengthen Added-Value Ethylene Derivative Products of Ichihara Works

Mitsui Chemicals, Inc. (MCI) announced today that it will enhance the value of its ethylene products manufactured at Ichihara Works as a measure to compete against ethylene products produced with competitive ethane gas from the Middle East.

1. Termination of Ichihara EOG Plant

Ethylene glycol (EG) is used as material for polyester fiber and antifreeze. Market conditions for domestic EG are expected to become extremely dull due to large supplies of EG coming from numerous plants newly established in the Middle East and Asia.

MCI produces EG and ethylene oxide (EO), a main material of EG, at the same facility ("EOG Plant"). MCI currently operates EOG Plants at its Ichihara Works and Osaka Works. At Ichihara EOG Plant, production ratio of EG is larger than that of the Osaka EOG Plant, and the production ratio is unlikely to improve in the future. As a result, MCI has decided to terminate production at its Ichihara Works EOG Plant (EO production volume: 119,000 tons/annum) in November 2009. Current clientele have been asked to procure EG from overseas sources. MCI will continue to supply EO which has a stable market demand as a surfactant and which cannot be readily supplied from Middle East sources due to difficulty in transport. MCI will use other manufacturers for the production of EO and expects to be able to continue its stable supply to clientele.

MCI will continue EG and EO production at its Osaka Works. At the Osaka EOG Plant, production ratio of EO is high at 65% and efforts are being made to improve the ratio and intensify operation stability by promoting the relocation of clientele to areas within the Osaka Works, etc.

The 80,000 tons of ethylene used at the Ichihara Works EOG Plant per annum will be diverted to production of value-added products following closure of the production facility.

2. New Facilities for Value-Added Products

MCI will construct a new 1-hexene plant at Ichihara Works. The new plant will use 40,000 tons per annum of the ethylene surplus of the terminated EOG Plant.

<Overview >

- ①Product Name: 1-hexene
- ②Production capability: 30,000 tons/annum
- ③Technology: Selective ethylene trimerization by utilizing MCI's new catalyst*
- ④Investment: 7.5 billion yen
- ⑤Schedule: November 2009 Construction commencement
October 2010 Construction completion
December 2010 Commercial operation

*New catalyst characteristics: High activity (600 fold chromium catalysts) and high 1-hexene selectivity. The catalyst has excellent activity under low temperatures and low pressure. These characteristics make simple and energy-conserving processes possible.

1-hexene is mainly used as co-monomer of HAO-LLDPE* and HDPE (High-density polyethylene). Globally, consumption is approximately 650,000 tons/annum with a predicted growth rate of 6 to 7% per annum. Prime Polymer Co., Ltd. (Prime Polymer), a joint venture between MCI and Idemitsu Kosan Co., Ltd., (Idemitsu), uses 1-hexene as an co-monomer for its main product, EVOLUE™ (metallocene linear low-density polyethylene). Currently, all 1-hexene used in their production is purchased from external suppliers. With the operation of the new plant, MCI will supply 1-hexene to Prime Polymer, cutting outgoing costs within the group, as well as supporting stable production of EVOLUE™ to support business of Prime Polymer. Surplus production will be sold to external companies.

Prime Polymer will finalize plans to increase EVOLUE™ output capacities by 60,000 tons per annum from the current 240,000 tons to 300,000 tons per annum at its plant in Ichihara. The plan will be announced when finalized and actualized as appropriate. This expansion will use the remaining 40,000 tons per annum ethylene surplus of the Ichihara EOG Plant.

*HAO-LLDPE: A linear low-density polyethylene which transforms co-monomer from butane (C4) to higher alpha olefin, such as hexane (C6) or octane (C8), in order to improve intensity, heat-sealing ability, and processing performance.

MCI launched its new Mid-term Business Plan in fiscal year 2008 (08MTP). According to the plan, MCI's Basic Chemicals Business Sector targets strengthening its global competitiveness and intensify operations to overcome the growing challenge from business expansion of Middle East nations. As an intensification measure, the business sector will focus on strategies to "reestablish its product portfolio with differentiated technology" and "strengthen cost performance of factories by collaborating with local partner companies, such as oil refinery companies." In line with this strategy, Ichihara Works will replace its current product portfolio which competes with Middle East products to an added-value product portfolio employing differentiated technology and which does not compete with that of Middle East suppliers. MCI will also replace ① HDPE (high-density polyethylene) with metallocene HDPE, an added-value product, and ② polypropylene for general use with polypropylene for special use. MCI will continue to strengthen its global competitiveness in the basic chemical business field.

<Reference: EVOLUE™>

EVOLUE™ is a added-value product which is not yet supplied by Middle East companies. EVOLUE™ is a specialty metallocene linear low density polyethylene produced by polymerizing ethylene and higher alpha olefin (hexane-1), using gash-phase polymerization, MCI unique technology.

Compared to other LLDEP produced with the Ziegler catalyst, EVOLUE™ is has superior strength, transparency, and sealing properties, making it suitable to molding and shaping. It is widely used in packaging materials.

EVOLUE™ demand is expected to continue to be strong due to its superior quality and environment-friendly characteristics.