



Mitsubishi Chemical Holdings Corporation
Asahi Kasei Corporation

May 31, 2010

Establishment of a joint-venture company for unified naphtha cracker operations in Mizushima

Mitsubishi Chemical Holdings and Asahi Kasei today signed a memorandum of understanding to establish a joint-venture company for the integration and unification of their basic petrochemicals operations in Mizushima with the start-up of unified operation of the respective naphtha crackers in April 1, 2011.

This understanding is the result of an extensive study on the unification of the naphtha cracker operations of Mitsubishi Chemical Corp. (subsidiary of Mitsubishi Chemical Holdings Corp., hereafter collectively "Mitsubishi Chemical") located in Mizushima and the naphtha cracker operations of Asahi Kasei Chemicals Corp. (subsidiary of Asahi Kasei Corp., hereafter collectively "Asahi Kasei") located in Mizushima. The parties will now advance discussions to finalize the specifics as required for the scheduled integration and unification.

Operational context

The operating climate for the Japanese petrochemical industry is forecasted to become increasingly severe due to declining domestic demand, expansions of large-scale production facilities in the Middle East, and increasing supply capacity in China. With a shared recognition of the difficulty in sustaining operations under the current configuration, Mitsubishi Chemical and Asahi Kasei performed their study based on a determination of the need to unify their naphtha crackers in the Mizushima industrial zone of Kurashiki, Okayama, Japan, and to establish an optimum, efficient configuration for production and management in order to further strengthen competitiveness and secure profitability.

Under the new configuration of a joint-venture company integrating and unifying basic petrochemicals operations in Mizushima in accordance with today's memorandum, in addition to optimizing the basic petrochemicals production configuration with timely response to changes in the business environment, the parties will also make every effort to further strengthen the Mizushima industrial zone including through alliances with oil refineries.

Outline of the joint-venture company

- Start-up: April 1, 2011
- Investment ratio: Mitsubishi Chemical Corp. – 50%, Asahi Kasei Chemicals Corp. – 50%
- Products: Ethylene, propylene, benzene, and by-products such as C4, C5, hydrogen, C9, and heavy fractions
- Operations: The following as performed in Mizushima
- Procurement of feedstocks such as naphtha, liquefied petroleum gas, kerosene, and light oil as well as utilities for production of basic petrochemicals
 - Production of basic petrochemicals
 - Sales of basic petrochemicals and utilities to Mitsubishi Chemical Corp. and Asahi Kasei Chemicals Corp.
 - Procurement of basic petrochemicals in shortfall
 - Rationalization of basic petrochemicals operations, formulation and implementation of concrete measures to heighten efficiency

Note: Specifics such as the company name, representatives, paid-in capital, and corporate form are yet to be determined.

Optimization plan for basic petrochemicals operations in Mizushima

- Downsizing naphtha cracker facilities of the two parties.
Plant adjustment premised on a 30% decrease in ethylene demand (to be performed by 2012)
- Unification of naphtha cracker facilities.
Consolidation on a single naphtha cracker—timed to correspond with further decrease in ethylene demand (performed in accordance with demand trends)
- Optimization of fraction balance, including integration of facilities.
- Cost reduction by joint procurement of naphtha feedstock and fractions in shortfall such as C3.
- Optimization of balance related to utilities and energy.
- Heightened efficiency through mutual utilization of infrastructure.

Outlook

While advancing preparations toward the start-up of the joint-venture company on April 1, 2011, the two parties will initiate dialog for smooth coordination with customers, suppliers, relevant public offices, and other relevant parties.

Profiles of facilities in Mizushima

Mizushima Plant of Mitsubishi Chemical Corp.

Location:	Kurashiki, Okayama, Japan
General manager:	Yasuhide Ishikawa
Lot area:	2.1 million m ²
Start of operation:	July 1964
Nameplate ethylene capacity:	500,000 ton/year (without maintenance turnaround)
Major products:	Basic petrochemicals, petrochemical products, synthetic resins, information and electronics products, battery materials products

Mizushima Works of Asahi Kasei Chemicals Corp.

Location:	Kurashiki, Okayama, Japan
General manager:	Tsuneo Takemoto
Lot area:	District B – 400 thousand m ² , District C – 1 million m ²
Start of operation:	February 1965
Nameplate ethylene capacity:	500,000 ton/year (without maintenance turnaround)
Major products:	Basic petrochemicals, petrochemical products, synthetic resins

For more information, please contact:

Public Relations and Investor Relations Office
Mitsubishi Chemical Holdings Corporation

Phone: +81-(0)3-6414-3730
Fax: +81-(0)3-6414-4879

Corporate Communications
Asahi Kasei Corporation

Phone: +81-(0)3-3296-3008
Fax: +81-(0)3-3296-3162