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Structural Reforms of Basic Petrochemicals Business at the Kashima Plant

Mitsubishi Chemical Corporation

Mitsubishi Chemical Corporation (Head office: Chiyoda-ku, Tokyo; President and Chief Executive Officer: Hiroaki Ishizuka; hereinafter referred to as “MCC”), which is a subsidiary of Mitsubishi Chemical Holdings Corporation (Head office: Minato-ku, Tokyo; President & Chief Executive Officer: Yoshimitsu Kobayashi), decided to implement a structural reforms of basic petrochemicals business at the Kashima Plant (located in Kamisu-shi, Ibaraki) with an aim to establish the structure where MCC quickly corresponds to an anticipating further trend toward high performance and high added value of certain petrochemical products in the future.

In the recent domestic petrochemical industry, there has been a rapid shift from general purpose products to high performance and high added value products under the influence of expansions of large-scale production facilities in the Middle East, increasing supply capacity of petrochemical products in China, emergence of shale gas mainly in the North America and so on.

Since 2009, MCC has achieved the shift toward high performance and high added value including the following:

- (i) invitation of ethylene oxide customers into Kashima area so that ethylene oxide are supplied directly through pipelines;
- (ii) expansion of the production facilities of ethylene carbonate;
- (iii) expansion of the production facilities of polypropylene; and
- (iv) consolidation of Nippon Synthetic Chemicals Co., Ltd.

In parallel, MCC has disposed certain businesses including the following:

- (i) withdrawal from vinyl chloride business;
- (ii) divestiture of polyamide business;
- (iii) withdrawal from domestic terephthalic acid business; and
- (iv) withdrawal from styrene monomer business.

In addition, MCC established Nishi Nippon Ethylene LLP as a joint venture with Asahi Kasei Chemicals Corporation (“AKC”) in 2011, under which an extensive study for the integration and unification of the steam cracker operations of MCC and AKC is now

jointly conducted.

In addition to the foregoing various measures, MCC decided to implement the following structural reforms of basic petrochemicals business at the Kashima Plant, through which MCC will establish a foundation of flexible production system for the said shift into the high performance and high added value of certain petrochemical products in the future. MCC anticipates that such structural reforms will bring us a high operation rate of steam cracker even in a low demand business environment in the future, a reduction of fixed costs by approximately four billion Japanese Yen (JPY4,000,000,000) per annum and so on.

MCC is going to accelerate to implement necessary measures for high performance and high added value of petrochemical products, and continue to conduct an extensive study to deepen business alliances with oil refinery.

- (i) Cessation of the No.1 Ethylene Plant (“K1E”) and the No.1 Benzene Plant (“K1Bz”)

- (ii) Counter measures for such cessation of the K1E and K1Bz
 - expansion of the No.2 Ethylene Plant by approximately fifty thousand (50,000) tons per annum;
 - installment of facilities to keep the operation of the Olefins Conversion Unit (annual production capacity of propylene: one hundred fifty thousand (150,000) tons); and
 - relocation and installment of relevant pipes.

The above measures are scheduled to be completed at the periodic maintenance in 2013 and are estimated to be an investment of nine billion eight hundred Japanese Yen (JPY9,800,000,000) in total.

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