

Company name:	Mitsui Chemicals, Inc. HASHIMOTO Osamu,
Name of representative:	Representative Director and President (Securities code: 4183 :Prime Market) TAKATAMA Yoshinori,
Inquiries:	General Manager of Corporate Communications Division (Telephone: +81-3-6880-7500)

Notice Concerning the Transition to FEED Phase in Mulling Optimization of Production by the
Consolidation of Ethylene Facilities in the Chiba Region

Mitsui Chemicals, Inc. (Tokyo: 4183; President & CEO: HASHIMOTO Osamu; hereinafter “Mitsui”) and Idemitsu Kosan Co., Ltd. (Tokyo: 5019; Representative Director, President and CEO: KITO Shunichi; hereinafter “Idemitsu”) have been engaged in deliberations on optimizing production by consolidating their ethylene facilities in the Chiba region.

As the two companies have recently completed the feasibility study (FS)^{*1}, they now intend to move on to the next phase – front-end engineering and design (FEED)^{*2}.

1. Background

In 2010, Mitsui and Idemitsu used a limited liability partnership (LLP) to establish Chiba Chemicals Manufacturing LLP and began jointly operating the ethylene facilities owned by both companies in the Chiba region in order to optimize production. Under this structure, the two companies have fastidiously pursued synergies.

However, Japanese ethylene facilities continue to be forced to operate at a low rate due to both the opening of large new and expanded petrochemical complexes, mainly in China, and the diminishing domestic demand for ethylene. As such, the petrochemical business environment within Japan is expected to become even tougher. Amid these environmental changes, the two companies conducted an FS focused on consolidating their ethylene facilities in the Chiba region into a single unit at Mitsui’s current facility, as announced on March 27, 2024.

The FS examined the impact of consolidating the ethylene facilities on feedstock procurement, as well as on the production and supply setup for the products involved. As the two companies reached the conclusion that consolidation will be feasible, they have agreed to move on to the FEED phase.

2. FEED premises for the consolidation of ethylene facilities in the Chiba region

- (1) Planned timing of consolidation: Fiscal 2027
- (2) Consolidation method: Closure of Idemitsu’s facility and consolidation of production at Mitsui’s facility
- (3) Feedstock for the ethylene facility: To be supplied to the LLP by both companies
- (4) Products involved: All fractions, including ethylene, propylene and C4^{*3}
- (5) Business format after consolidation: Continuation of the current LLP and joint operation of Mitsui’s facility by that LLP
- (6) Timing of decision: Latter half of fiscal 2025

3. Future plans

After conducting FEED, the two companies plan to discuss the potential consolidation and then reach a final decision.

The companies will step up the pace of deliberations in order to achieve greater production efficiency at their ethylene facilities and thereby enhance their competitiveness.

*1 Feasibility study (FS)

Surveys and deliberations conducted before a decision, to determine the feasibility of a project.

*2 Front-end engineering and design (FEED)

The basic design phase, carried out after an FS. It involves scrutinizing a project's challenges, risks, costs and the like in greater detail, and determining the basic specifications of the plant.

*3 C4

A mixture of butane, butylene, butadiene and other hydrocarbons with four carbon atoms, created as a by-product of the thermal cracking of naphtha.

Reference

Overview of Chiba Chemicals Manufacturing LLP

Item	Details
Name	Chiba Chemicals Manufacturing LLP
Head Office	Marunouchi 3-1-1, Chiyoda-ku, Tokyo
Establishment	April 1, 2010
Investment	<ul style="list-style-type: none">• Capital contribution: 200 million yen• Investment ratio: 50–50 joint venture between Mitsui and Idemitsu
Business	<ul style="list-style-type: none">• Joint of ethylene facilities operation in the Chiba region• Manufacturing of ethylene, propylene and other fractions• Supply of these products to Mitsui and Idemitsu
Ethylene production capacity	920,000 tons/year (Mitsui: 550,000 tons; Idemitsu: 370,000 tons. Figures for year when periodic maintenance was carried out)

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