

**Mitsubishi Chemical Corporation**  
**Condensed Consolidated Financial Information**  
**For the First Quarter of the Fiscal Year Ending March 31, 2005**



**1. Business Results for the First Quarter of the Fiscal Year Ending March 31, 2005**  
**(Business period: April 1, 2004 to June 30, 2004)**

Millions of Yen	
The First Quarter of the Current Fiscal Year	The First Quarter of the Previous Fiscal Year
April 1, 2004 ~ June 30, 2004	April 1, 2003 ~ June 30, 2003

Thousands of U.S. Dollars
The First Quarter of the Current Fiscal Year
April 1, 2004 ~ June 30, 2004

**(1) Results of operations:** (Note2)

Net sales	497,758	461,744
Operating income	32,351	17,961
Income before Income taxes	31,384	18,374
Net income	16,302	7,948
		(Yen)
Net income per share	7.49	3.63

(Note3)
4,608,870
299,546
290,593
150,944
(U.S.Dollars)
0.069

\* Net income per share is based on the average number of common shares (excluding treasury stocks) during the respective period.

[June 30, 2004] 2,173,704,816 [June 30, 2003] 2,174,067,344

**(2) Segment information:** (Note4)

**[Net Sales by Segments]**

Petrochemicals	200,038	180,972
Performance Products	118,631	110,842
Functional Products	83,840	77,963
Health Care	70,357	71,686
Services	24,892	20,281
Total	497,758	461,744

1,852,204
1,098,435
776,296
651,454
230,481
4,608,870

**[Operating income (loss) by Segments]**

Petrochemicals	10,008	799
Performance Products	12,154	10,209
Functional Products	4,465	2,926
Health Care	7,076	7,148
Services	1,691	(141)
Elimination & Corporate Costs	(3,043)	(2,980)
Total	32,351	17,961

92,667
112,537
41,343
65,519
15,657
(28,176)
299,546

Millions of Yen	
The First Quarter of the Current Fiscal Year	The Previous Fiscal Year Ended March 31, 2004
April 1, 2004 ~ June 30, 2004	April 1, 2003 ~ March 31, 2004

Thousands of U.S. Dollars
The First Quarter of the Current Fiscal Year
April 1, 2004 ~ June 30, 2004

**(3) Financial position:**

Total assets	1,995,658	2,001,601
Inventories	274,527	251,762
Property, plant and equipment and intangible assets	743,430	753,069
Short-term and long-term debt	832,005	861,496
Shareholders' equity	404,613	397,063
Ratio of shareholders' equity to total assets (%)	20.3	19.8

18,478,315
2,541,917
6,883,611
7,703,750
3,746,417

		(Yen)
Shareholders' equity per share	186.14	182.59

(U.S.Dollars)
1.724

\* Shareholders' equity per share is based on the number of common shares outstanding (excluding treasury stocks) as of the following

[June 30, 2004] 2,173,686,219 [March 31, 2004] 2,173,764,447

(%)

The First Quarter of the Current Fiscal Year	The First Quarter of the Previous Fiscal Year
April 1, 2004 ~ June 30, 2004	April 1, 2003 ~ June 30, 2003

**(4) Ratio of net income to:**

Shareholders' equity	4.0	2.2
Total Assets	0.8	0.3
Net Sales	3.2	1.7

\* Based on the average of each amounts at the beginning and the end of the respective period.

**Notes:**

1. The accompanying consolidated financial information has been prepared by using partially simplified accounting methods from those adopted for the latest fiscal year;
2. There is a change in accounting policy. The exchange rate, at which the figures of sales and cost in reports of foreign subsidiaries are translated from local currencies to Japanese yen was changed from the exchange rate as of the end of the period to the average rate during the period. This change increased the sales by 1,143 million yens and the operating income by 61 million yens from the numbers of those calculated under the previous policy.
3. The Corporation and its domestic consolidated subsidiaries maintain their accounting recorded in Japanese yen. The U.S. dollar amounts are included solely for convenience and have been translated, as a matter of arithmetical computation only, at the rate of 108Yen to US\$1, the approximate exchange rate prevailing in the Tokyo foreign exchange market at the end of June, 2004.
4. From this period, the figures in the previous announcement and the actual results in the same period of previous year were revised due to the revision of segmentation, a move of one consolidated subsidiary from Performance products segment to Service segment.

**2. The Prospects for the First Half of the Current Fiscal Year (Disclosed on August 6, 2004)**

The First Half of the Current Fiscal Year
April 1, 2004~ September 30, 2004

(Millions of Yen)

Net Sales	1,020,000
Operating Income	56,000
Net Income	16,000

(Yen)

Net income Per Share	7.36
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### **3. Business Performances and Financial Position**

#### **(1) Business Performances**

##### **Consolidated Performance for the First Quarter of the Fiscal Year Ending March 31, 2005 (From April 1, 2004 to June 30, 2004)**

In the first quarter of the fiscal year ending March 31, 2005, the Japanese economy has shifted toward economic recovery owing to strong export and capital investment reflecting economic prosperity of the US, China and other Asian countries. In terms of business environment for the Group, business performance was mainly favorable as market situation for the petrochemicals improved and steady demand continued for information and electronics businesses and steel related businesses. The future business conditions, however, is still not reassuring owing to such possible impacts of high prices of crude oil and naphtha.

Under these circumstances, the consolidated business results for the first quarter of the fiscal year ending March 31, 2005, resulted as follows. The net sales increased by ¥36.1 billion (7.8% increase) to ¥497.8 billion compared to the same period previous fiscal year; operating income increased by ¥14.4 billion (80.1% increase) to ¥32.4 billion compared to the same period previous fiscal year; ordinary income increased by ¥16.6 billion (92.0% increase) to ¥34.6 billion compared to the same period previous fiscal year; and net income increased by ¥8.4 billion (105.1% increase) to ¥16.3 billion compared to the same period previous fiscal year.

#### **(2) Overview of Business Segments**

##### **Petrochemicals**

Net sales of the segment for the first quarter of the fiscal year ending March 31, 2005 increased by ¥19.0 billion (10.5 % increase) to ¥200.0 billion compared to the same period previous fiscal year. Operating income, increased by ¥9.2 billion (1152.6 % increase) to ¥10.0 billion compared to the same period previous fiscal year, owing to rationalization, increase in sales volume of polyolefin businesses as the result of business reorganization, increase in sales volume by production capacity expansion in some of the production facilities, and other factors.

Businesses in basic petrochemicals, industrial chemicals, synthetic fiber intermediates, and synthetic resins progressed in a bullish tone mainly by the stable market situation both domestic and overseas driven by active demands overseas, even though they were considerably affected by continuing high price of naphtha.

Major actions taken for the Petrochemicals Segment during the first quarter (from April 1, 2004 to June 30, 2004) are as follows:

- A joint venture of Mitsubishi Chemical Corporation and Sasol Chemical Industries Ltd, Sasol Dia Acrylates (South Africa) (Pty) Limited started shipments of the products. (April)
- Mitsubishi Chemical Corporation started expanding facilities at the Olefin Aroma Center of the Kashima Plant to respond to diversification of raw materials, which aims at increase of its competitiveness. (May)
- PS Japan Corporation and Dainippon Ink and Chemicals, Incorporated reached a basic agreement on an integration of their polystyrene businesses. (June)

### **Performance Products**

Net sales of the segment for the first quarter of the fiscal year ending March 31, 2005 increased by ¥7.8 billion (7.0 % increase) to ¥118.6 billion compared to the same period previous fiscal year. Operating income, increased by ¥1.8 billion (19.1 % increase) to ¥12.1 billion compared to the same period previous fiscal year.

Favorable business results in sales continued for performance polymers and epoxy resins. In the area of information and electronics related products, strong sales extended for optical disc business as the market expansion of DVD surpassed the price fall. Also, sales in organic photo conductor (OPC) drums continued successfully. The production volume of cokes remained favorable owing to continued high production level of crude steel both in domestic and overseas. Carbon black business, however, progresses severely owing to the hiking raw materials costs. On the other hand, profits from fertilizers improved as a result of increase of high-value-added products in sales and efforts to decrease fixed costs.

Major actions taken for the Performance Products Segment during the first quarter (from April 1, 2004 to June 30, 2004) are as follows:

- API Corporation absorbed its wholly owned subsidiary, API Corporation. (April 2004)

- Mitsubishi Kagaku Media Co., Ltd. launched the sale of the world's first double layer DVD+R discs. (May)
- Mitsubishi Chemical Corporation has obtained the patents on the microorganism for Erythritol production from Nikken Chemicals Co., Ltd., and strengthened the position of Mitsubishi-Kagaku Foods Corporation in Erythritol business. (May)
- Mitsubishi Chemical Corporation constructed a production plant for electrolytes in the wholly owned subsidiary of Shinryo Corporation, GEMtek Corporation in Suzhou, Jiangsu Province, China. (June)

### **Functional Products**

Net sales of the segment increased by ¥5.9 billion (7.5% increase) to ¥83.9 billion compared to the same period previous fiscal year), and the operating income increased by ¥1.6 billion (52.6% increase) to ¥4.5 billion compared to the same period previous fiscal year.

All types of films including composite films and sheets for food packaging and industrial applications were in good condition reflecting sales growth in new products and strong demand from IT-related industry. Also, both sales and profits progressed steadily for alumina fibers and composite materials.

Major actions taken for the Functional Products Segment during the first quarter of the fiscal year ended March 2005 are as follows:

- Mitsubishi Chemical MKV Co. and Mitsui Kagaku Iattech Co., Ltd. integrated their agricultural material businesses to form MKV PLATECH CO., LTD. (April)
- Mitsubishi Plastics, Inc. received the highest evaluation in the preliminary review for the world's first loan system introduced a special method of environmental ranking system, "environment-friendly business management promotion" by Development Bank of Japan, and obtained a loan from the Bank at low interest. (May)
- Mitsubishi Plastics, Inc. constructed the third film plant in the Azai Plant and started production in order to establish production technology of new products and speed up the commercialization. (June)

### **Health Care**

Net sales of the segment decreased by ¥1.3 billion (1.9% decrease) to ¥70.4 billion compared to the same period previous fiscal year. Operating income decreased by ¥72

million (1.0% decrease) to ¥7.1 billion compared to the same period previous fiscal year, as the result of allowance for depreciation on consolidation adjustment account related to acquisition of shares of Mitsubishi Pharma Corporation through TOB (take-over bid) .

As to pharmaceuticals, sales remained level compared with the same period previous year. Despite the government's price revision of pharmaceuticals, decrease in sales was checked by the sales recovery of an ethical neuroprotective agent, "RADICUT", and sales growth of an anti-platelet agent, "ANPLAG". Business performances for clinical testing and diagnostics progresses were satisfactory.

A Major action taken for the Health Care Segment during the first quarter of fiscal year ending March 2005 is as follows:

- Mitsubishi Pharma Corporation obtained shares of its subsidiary, Green Cross Guangzhou Pharmaceutical Co., Ltd. held by Guangzhou Qiaoguang Pharmaceutical Co., Ltd., and made it the wholly owned subsidiary. (April)

### **Services**

Net sales of the segment increased by ¥4.7 billion (22.7% increase) to ¥24.9 billion compared to the same period previous fiscal year, and operating income increased by ¥1.9 billion to ¥1.7 billion compared to the same period previous fiscal year.

In general, business performances for engineering service and logistics progressed as estimated.

### **Others**

Major actions taken in terms of management during the first quarter of fiscal year ending March 2005 are as follows:

- Mitsubishi Chemical Corporation started detoxifying PCB at the Yokkaichi Plant. (April)
- Mitsubishi Chemical Corporation issued the 29th and the 30th domestic straight bonds. [Total bond issue: ¥20.0 billion] (April)
- Mitsubishi Chemical Corporation applied for delisting from the Frankfurt Stock Exchange. (May)
- Mitsubishi Chemical Corporation, Tokyo Denpa Co., Ltd., The Japan Steel Works, Ltd., Nippon Kasei Chemical Co., Ltd., and Furuya Metal Co., Ltd. established a research

alliance, "Solvothermal Crystal Growth Technology Research Alliance", in order to facilitate the industrialization of single crystal growth of GaN and ZnO. (June)

### **(3) Consolidated Financial Position**

At the end of the first quarter of the fiscal year ending March 2005, total assets amounted to ¥1,995.7 billion, a decrease by ¥5.9 billion compared to the end of the previous fiscal year. Interest-bearing debt including discount bills decreased to ¥841.0 billion, a decrease by ¥28.7 billion compared to the end of the previous fiscal year. The interest-bearing debt will be further reduced by reduction of operating capital and other costs.

### **4. Consolidated Financial Projection for the Fiscal Year Ending March 31, 2005**

Please refer to the "Notice of Revised Financial Information for Mitsubishi Chemical Corporation" released on August 6, 2004.

### **Forward-looking Statements**

The forward-looking statements are based largely on company expectations and information available as of the date hereof, and are subject to risks and uncertainties which may be beyond company control. Actual results could differ materially due to numerous factors, including without limitation market conditions, and the effects of industry competition. The company expectations for the forward-looking statements are described in Page [2] hereof.