

**Mitsubishi Chemical Corporation**  
**Condensed Consolidated Financial Information**  
**for the First Quarter of the Fiscal Year Ending March 31, 2006**



**1. Business Results for the First Quarter of the Fiscal Year ending March 31, 2006**  
**(Business period: From April 1, 2005 to June 30, 2005)**

	Millions of Yen		Thousands of U.S. Dollars
	The First Quarter of the Current Fiscal Year	The First Quarter of the Previous Fiscal Year	The First Quarter of the Current Fiscal Year
	April 1, 2005 ~ June 30, 2005	April 1, 2004 ~ June 30, 2004	April 1, 2005 ~ June 30, 2005
<b>(1) Results of operations:</b> (Note 1)			(Note 3)
Net sales	551,273	497,758	4,966,423
Operating income	37,573	32,351	338,495
Income before income taxes	42,340	31,384	381,441
Net income	18,999	16,302	171,162
		(Yen)	(U.S. Dollars)
Net income per share	8.72	7.49	0.079

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

[June 30, 2005] 2,174,352,916 [June 30, 2004] 2,173,704,816

**(2) Segment information:** (Note 2)

**[Net Sales by Segments]**

Petrochemicals	234,035	200,038	2,108,423
Performance Products	130,457	118,837	1,175,288
Functional Products	87,692	83,840	790,018
Health Care	72,499	70,151	653,144
Services	26,590	24,892	239,550
Total	551,273	497,758	4,966,423

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

Petrochemicals	6,700	10,008	60,360
Performance Products	15,888	12,222	143,135
Functional Products	4,716	4,465	42,486
Health Care	10,322	7,008	92,991
Services	2,331	1,691	21,000
Elimination & corporate costs	(2,384)	(3,043)	(21,477)
Total	37,573	32,351	338,495

	Millions of Yen		Thousands of U.S. Dollars
	The First Quarter of the Current Fiscal Year	The Previous Fiscal Year Ended March 31, 2005	The First Quarter of the Current Fiscal Year
	June 30, 2005	March 31, 2005	June 30, 2005

**(3) Financial position:**

Total assets	1,991,441	1,970,528	17,940,910
Inventories	301,589	277,721	2,717,018
Property, plant and equipment and intangible assets	707,226	707,726	6,371,405
Short-term and long-term debt	688,802	704,077	6,205,423
Shareholders' equity	454,356	445,977	4,093,297
Ratio of shareholders' equity to total assets (%)	22.8	22.6	
		(Yen)	(U.S. Dollars)
Shareholders' equity per share	209.01	205.09	1.883

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

[June 30, 2005] 2,173,708,116 [March 31, 2005] 2,173,794,699

(%)

The First Quarter of the Current Fiscal Year	The First Quarter of the Previous Fiscal Year
April 1, 2005 ~ June 30, 2005	April 1, 2004 ~ June 30, 2004

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

Shareholders' equity	4.2	4.0
Total assets	0.9	0.8
Net sales	3.4	3.2

\* 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. For the fiscal year ending March 31, 2006, one consolidated subsidiary was reclassified from the Health Care Segment to the Performance Products Segment to reflect its performance in the more appropriate segment. The impact of this change on the net sales and the operating income is immaterial.
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 ¥ 111 to US\$1, the approximate exchange rate prevailing on the Tokyo foreign exchange market at the end of June, 2005.

**2. The Prospects for the Current Fiscal Year (Disclosed on May 12, 2005)**

The First Half of the Current Fiscal Year	The Current Fiscal Year
April 1, 2005~ September 30, 2005	April 1, 2005~ March 31, 2006
(Millions of Yen)	(Millions of Yen)

Net sales	1,150,000	2,380,000
Operating income	60,000	131,000
Ordinary income	56,000	125,000
Net income	28,000	62,000

This projection for the current fiscal year is calculated on the basis that the holding company with Mitsubishi Pharma Corporation is to be established in October 2005.

### **3. Business Performances and Financial Position**

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

##### **Consolidated Performance for the First Quarter of the Fiscal Year Ending March 31, 2006 (From April 1, 2005 to June 30, 2005)**

In the first quarter of the fiscal year ending March 31, 2006, the Japanese economy continued to be firm as a whole owing to an increase in capital investment as the result of improved business performances and strong personal spending, despite slight slackening of growth in export.

The business environment for the Group continued to be generally sound. For the petrochemicals, however, market trends such as temporal slowdown in the Asian market under the continuance of high prices of crude oil and naphtha must be further watched.

Under these circumstances, the consolidated business results for the first quarter of the fiscal year ending March 31, 2006, resulted as follows. The net sales increased by ¥53.5 billion (10.8% increase) to ¥551.3 billion compared to the same period previous fiscal year; operating income increased by ¥5.2 billion (16.1% increase) to ¥37.6 billion compared to the same period previous fiscal year; ordinary income increased by ¥7.3 billion (21.0% increase) to ¥41.9 billion compared to the same period previous fiscal year; and net income increased by ¥2.7 billion (16.5% increase) to ¥19.0 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, 2006 increased by ¥34.0 billion (17.0% increase) to ¥234.0 billion compared to the same period previous fiscal year. Operating income, decreased by ¥3.3 billion (33.1% decrease) to ¥6.7 billion compared to the same period previous fiscal year, owing to decrease in net sales by conducting regular plant maintenance.

The production volume of ethylene, a major basic raw material for petrochemicals was 200

thousand tons, a decrease by 33% compared to the same period of the previous fiscal year, owing to factors such as temporary suspension of production by earthquake and by regular maintenance for Mizushima Plant and Kashima Plant.

Businesses in basic petrochemicals, industrial chemicals, synthetic fiber intermediates, and synthetic resins progressed steadily by the stable market situation both domestic and overseas and efforts to correct product prices, despite the continuing high naphtha prices and a temporal drop in Asian market

### **Performance Products**

Net sales of the segment for the first quarter of the fiscal year ending March 31, 2006 increased by ¥11.7 billion (9.8% increase) to ¥130.5 billion compared to the same period previous fiscal year. Operating income, increased by ¥3.7 billion (30.0% increase) to ¥15.9 billion compared to the same period previous fiscal year.

Favorable business results in sales continued for performance polymers and food ingredients businesses. In the area of information and electronics related products, successful sales continued for optical disc business owing to the global market expansion of DVD, despite the continuing price fall. Also, sales in organic photo conductor (OPC) drums continued steadily generally despite decrease in price. The cokes business remained favorable, despite the slow down trend of a high production level of crude steel in the latter half of the first quarter of this fiscal year. Carbon black business, however, progresses severely owing to the hiking raw materials costs. Fertilizer business was also affected by the rising raw material costs.

Major actions taken for the Performance Products Segment during the first quarter (from April 1, 2004 to June 30, 2006) are as follows:

- Mitsubishi-Kagaku Foods Corporation started producing and marketing Ryoto Aquoil Barrier™, protein gel for preventing migration of moisture and oil in the food with the production technology introduced by BioEnvelop Technologies Corporation. (May 2005)
- Mitsubishi Kagaku Media Co., Ltd. and Pioneer Corporation jointly succeeded in developing a next-generation write-once blu-ray disc, applying organic dye recording material to the recording layer, with the spin coating process method. (June 2005)
- Mitsubishi Kagaku Media Co., Ltd. and Hitachi Maxell, Ltd. succeeded in development

of a prototype of a HD DVD-R disc, the write-once next generation DVD disc, that can be easily produced at high volume on standard DVD-Recordable production lines, by using a new organic dye specifically developed by Hayashibara Biochemical Laboratories, Mitsubishi Kagaku Media Co., Ltd., and Toshiba Corporation. (June 2005)

- Mitsubishi Kagaku Media Co., Ltd. developed a 8x double-layer DVD+R disc, which became the first of its kind in the world to receive certification from the Philips Verification Laboratory. (June 2005)

### **Functional Products**

Net sales of the segment increased by ¥3.8 billion (4.6% increase) to ¥87.7 billion compared to the same period previous fiscal year), and the operating income increased by ¥0.2 billion (5.6% increase) to ¥4.7 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 strong demands from semiconductors and LCD related businesses, despite high raw material costs. Also, businesses for construction and civil engineering materials progressed steadily in general.

### **Health Care**

Net sales of the segment increased by ¥2.3 billion (3.3% increase) to ¥72.5 billion compared to the same period previous fiscal year. Operating income increased by ¥3.3 billion (47.3% increase) to ¥10.3 billion compared to the same period previous fiscal year, as the result of improvements in cost percentage and decrease in R&D expenses.

As to pharmaceuticals, sales progressed firmly for the ethical neuroprotective agent, "RADICUT" and anti-platelet agent, "ANPLAG". Business performances for clinical testing and testing for clinical trials were satisfactory in general.

### **Services**

Net sales of the segment increased by ¥1.7 billion (6.8% increase) to ¥26.6 billion compared to the same period previous fiscal year, and operating income increased by ¥0.7 billion (37.8% increase) to ¥2.4 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 2006 are as follows:

- Mitsubishi Chemical Corporation and Mitsubishi Pharma Corporation announced to jointly establish a holding company by stock-for-stock exchange in October 2005. (April 2005)
- Mitsubishi Chemical Corporation announced to issue stock acquisition rights in favor of directors and officers and retiring directors and officers of Mitsubishi Chemical Corporation as the means of a stock option scheme for a stock-linked compensation plan. (April 2005)
- Mitsubishi Chemical Corporation announced to establish a research partnership with Yamaguchi University on the development of the light source in white LED with high conversion efficiency, as of April 1, 2005. (April 2005)
- Mitsubishi Chemical Corporation announced to purchase the Mitsubishi Chemical Corporation Series 1-3 ¥8,000,000,000 unsecured 1.6% convertible bond due 2006 (ISIN code JP389580PSC2). (June 2005)
- Mitsubishi Chemical Corporation agreed that Mitsubishi Corporation constructs a power station using natural gas as fuel and supplies utility in the Kawajiri area of the Yokkaichi Plant as from April 2007. (June 2005)
- Mitsubishi Chemical Corporation and Dalian University of Technology reached a basic agreement on establishing a comprehensive industry-academia partnership for research and development to facilitate business applications in the fields of organic synthesis, catalytic chemistry, inorganic chemistry, and chemical process. (June 2005)

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

At the end of the first quarter of the fiscal year ending March 2006, total assets amounted to ¥1,991.4 billion, an increase by ¥20.9 billion compared to the end of the previous fiscal year due to an increase in inventory assets reflecting high raw material costs.

#### **4. Consolidated Financial Projection for the Fiscal Year Ending March 31, 2006**

The financial position progressed favorably for the first quarter of the fiscal year ending March 2006. The Mitsubishi Chemical Group has not revised its financial projections for both the first half of the fiscal year ending March 2006 and for the fiscal year ending March 2006, as announced on May 12, 2005, however, as R&D expense in pharmaceutical business is expected to increase in the second quarter of the fiscal year and that recovery trend of the Asian market in the petrochemicals businesses still remains opaque.

#### **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 Group companies execute businesses in many different fields, such as petrochemicals, carbon and inorganic products, information and electronics, pharmaceuticals, polymers and processed products, and these business results are subjected to influences of world demands, exchange rates, price and procurement volume of crude oil and naphtha, trend of market price, speed in technology innovation, National Health Insurance price revision, product liabilities, lawsuits, laws and regulations. The company expectations for the forward-looking statements are described in Page [2] and [7].