

Mitsubishi Chemical Corporation
Condensed Consolidated Financial Information
For the Year Ended March 31, 2003

1. Business Results for the Year ended March 31, 2003
(Business period: April 1, 2002 ~ March 31, 2003)

Millions of Yen		Thousands of U.S. Dollars
2003	2002	2003
Year ended March 31, 2003	Year ended March 31, 2002	Year ended March 31, 2003

(1) Results of operations:

Net sales	1,887,493	1,780,346	15,729,108
Operating income	91,962	34,841	766,350
Income (Loss) before Income taxes	43,821	(55,444)	365,175
Net income (loss)	21,386	(45,253)	178,217

(Note2)

(2) Financial position:

Total assets	2,117,002	2,246,150	17,641,683
Inventories	276,072	290,568	2,300,600
Property, Plant and equipment	811,892	844,193	6,765,767
Short-term and long-term debt	962,197	1,051,675	8,018,308
Shareholders' equity	350,338	343,749	2,919,483
Ratio of shareholders' equity to total assets (%)	16.5	15.3	

(3) Cash Flows:

Net cash provided by operating activities	132,480	92,259	1,104,000
Net cash used in investing activities	(56,071)	(110,185)	(467,258)
Net cash provided by (used in) financing activities	(92,985)	14,380	(774,875)
Cash and cash equivalents at end of the year	59,317	74,967	494,308

(4) General:

Capital expenditures	85,339	99,750	711,158
Depreciation and amortization	103,151	116,279	859,592
R&D expenditures	91,041	84,588	758,675
Employees (number)	37,633	38,617	

(5) Per Share:

	(Yen)	(U.S.Dollars)
Net income (loss)	9.75	(20.78)
Shareholders' equity	161.06	157.86

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

[2003] 2,175,105,579 [2002] 2,177,611,977

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

[2003] 2,174,130,809 [2002] 2,177,475,722

(6) Ratio of net income (loss) to:

		(%)
Shareholders' equity	6.1	(12.4)
Total Assets	0.9	(2.1)
Net Sales	1.1	(2.5)

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

Millions of Yen		Thousands of U.S. Dollars
2003	2002	2003
Year ended March 31, 2003	Year ended March 31, 2002	Year ended March 31, 2003

(7) Segment information:

[Net Sales by Segment]

Petrochemicals	679,106	643,542	5,659,216
Specialty Chemicals	451,830	458,311	3,765,250
Functional Products	320,699	337,796	2,672,492
Healthcare	319,970	224,626	2,666,417
Services	115,888	116,071	965,733
Total	1,887,493	1,780,346	15,729,108

[Operating income (loss) by Segment]

Petrochemicals	20,630	(8,091)	171,917
Specialty Chemicals	30,444	8,211	253,700
Functional Products	10,829	11,102	90,242
Healthcare	30,501	24,509	254,174
Services	9,849	9,567	82,075
Elimination & Corporate Costs	(10,291)	(10,457)	(85,758)
Total	91,962	34,841	766,350

[Total Assets by Segment]

Petrochemicals	635,902	640,565	5,299,182
Specialty Chemicals	422,658	467,848	3,522,150
Functional Products	338,183	368,261	2,818,192
Healthcare	373,098	387,049	3,109,150
Services	317,996	346,055	2,649,967
Elimination & Corporate Assets	29,165	36,372	243,042
Total	2,117,002	2,246,150	17,641,683

[Depreciation by Segment]

Petrochemicals	32,789	34,743	273,242
Specialty Chemicals	23,301	39,802	194,175
Functional Products	17,496	16,956	145,800
Healthcare	17,349	11,308	144,575
Services	8,147	7,771	67,892
Corporate Costs	4,069	5,699	33,908
Total	103,151	116,279	859,592

[Capital Expenditures by Segment]

Petrochemicals	16,500	27,760	137,500
Specialty Chemicals	17,918	28,059	149,317
Functional Products	22,558	22,652	187,982
Healthcare	17,339	11,642	144,492
Services	8,279	5,924	68,992
Corporate Assets	2,745	3,713	22,875
Total	85,339	99,750	711,158

Notes:

1. The accompanying consolidated financial information has been prepared in accordance with generally accepted accounting standards in Japan, which are different in certain respects as to application and disclosure requirements of International Accounting Standards.
2. 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 120Yen to US\$1, the approximate exchange rate prevailing in the Tokyo foreign exchange market at the end of March 2003.

2. The Prospects for the Next Fiscal Year

The First Half of Next Fiscal Year	The Next Fiscal Year
April 1, 2003~ September 30, 2003	April 1, 2003~ March 31, 2004
(Millions of Yen)	(Millions of Yen)

Net Sales	930,000	1,930,000
Operating Income	36,000	92,000
Net Income	11,000	24,000
	(Yen)	(Yen)
Net income Per Share	5.02	10.96

3. Management Policies

(1) Basic Management Policies

Mitsubishi Chemical Group companies are directed under the following management principles:

Three Satisfactions

Mitsubishi Chemical Group pursues satisfactions for customers, shareholders and employees. The highest priority is placed on our customer's satisfaction. By regarding it as a fundamental element of all our business activities and forming deeper relationships with our customers, we aim to enhance the satisfaction of our shareholders and employees. Maximization of our integrated strengths will be directed for the Group to become our customers' preferred solution partners.

Accordingly, since April 2002, the Group's businesses are realigned into five business segments; Petrochemicals, Performance Products, Functional Products, Health Care, and Services. Each segment will pursue satisfaction of our customers with more value by fully integrating competencies of the Group and creating further mobility in business operations.

Challenging Change

Mitsubishi Chemical Group will challenge to arouse corporate culture based on the spirit of the group corporate motto "Create Waves of Change ! Make Changes Work !"

Corporate Ethics

Mitsubishi Chemical Group will ensure to observe corporate responsibilities and to comply with laws and regulations. In addition, the Group will continue to actively work on information disclosure.

As a profitability metrics, ROA (earnings before income taxes) is mainly used.

(2) Policy for Profit Distribution

Mitsubishi Chemical Corporation's basic policy is to give our shareholders continued dividends according to the business results, while considering stable dividends for medium and long-term perspectives and expanding reserves for the future business development.

(3) Medium- and Long-Term Management Strategies

Mitsubishi Chemical Group has announced a new mid-term management plan called “KAKUSHIN” Plan in November 2002. “KAKUSHIN” is our slogan for representing our determination to make a quantum leap through continuous innovation and renovation. The “KAKUSHIN” Plan is a five-years plan composed of a two-step approach and is targeted for a vision of our Group in FY2007. Phase-1 from FY2003-2004 will be a preparation phase for rebuilding the business foundation and Phase-2 from FY2005-2007 will be a consolidation period for strength and building momentum for sustainable growth.

Action items for Phase-1 are acceleration of portfolio management strategy, improvement of financial position, R&TD for sustainable growth, thorough cost reduction, and integration of group strength.

As for the business portfolio management, selection and focus will be accelerated according to the business categorization: concentrate, nurture, strengthen, and restructure.

Petrochemicals

As for Petrochemicals Segment, rationalization, alliance, and strengthening are key actions.

Mitsubishi Chemical Group will seek transformation of business structures that will secure profit even under harsh business environment and greater allocation of management resources to business units which offer global business opportunities using our group’s competitive advantages.

Performance Products and Functional Products

As for Performance Products Segment and Functional Products Segment, shift to higher value-added products and businesses are key actions.

Businesses in these two segments will seek delivering materials, products, and services of excellent value and outstanding solution for our customers. In the Performance Products Segment, we have set targeted markets in information and electronics, medical care and food additives, and environment and energy. As for Functional Products Segment, we will aim to establish stable business management structure by keeping pace with rapidly changing customer needs and developing new value-creating businesses supported by maximized energies in the Group.

Health Care

As for the Health Care Segment, boost earnings through organic growth and alliance are key actions.

In the Health Care segment, pharmaceuticals business is positioned as “concentrate” business, while diagnostics businesses are positioned as “Nurture” and seek to be a second pillar of the segment. Accordingly, Mitsubishi Pharma Corporation aims to become a “global pharmaceutical company”, while diagnostics business area will focus on the emerging human genome-related fields, future tailor-made medications, and a much greater emphasis on preventive medicine.

Services

Businesses in this segment will create values by efficient and practical solutions for our customers.

(4) Basic Policy for Corporate Governance and the Current Status

Mitsubishi Chemical Corporation recognizes and positions corporate governance and compliance as important managerial tasks. Since 1999, the Company has reduced the number of the board of directors to single digits and focused the responsibility to mainly decision-making on the management strategy of Mitsubishi Chemical Group, introduced executive officer system and transferred considerable responsibility and authority to the executive officers to expedite decision-making and business execution. In addition, the Company has implemented segment management system to enhance speedy decision-making and business execution as the Group’s overall management.

Supervision of business operation, as well as decision-making on critical matters required to be solved under laws and internal policies are made at the monthly held board meetings and extraordinary meetings upon request.

The Company currently has 8 directors including 1 outside director, 23 executive officers including 3 officers concurrently holding director position, and 4 corporate auditors including 2 outside auditors. There is no conflict of interest among the outside director, outside auditors, and the Company. The audit system by corporate auditors including outside auditors is employed in the Company.

In addition, the Company has established “Compliance Hotline” last December, and has also

renewed “Anti-trust Compliance Program” for the promotion of ethical corporate conduct and compliance with laws and regulations.

(5) Important Management Issues

As the operating environment is becoming increasingly difficult, Mitsubishi Chemical Group has placed its top priority to steady execution based on the “KAKUSHIN” Plan.

First, the Group has positioned the improvement of its financial structure as its most prioritized corporate financial discipline. The target is to reduce interest-bearing debt by 180 billion yen during FY2002 to FY2004. Second, management resources will be allocated steadily to R&TD that is consistent with our long-term strategy and integrate R&TD activities across the Group for increased effectiveness. Third, thorough cost reduction will be implemented with the “Production KAKUSHIN” activities at plant sites. Fourth, the Group’s Responsible Care activity, a voluntary self-controlled activity to secure healthy environment and safety throughout R&TD, manufacturing, product usages and disposal, will continue to tackle the issues on safety and stable operations, and environment.

4. Business Performances and Financial Position

(1) Business Performances

(i) Consolidated Performance for the Fiscal Year Ended March 31, 2003

(From April 1, 2002 to March 31, 2003)

In the fiscal year ended March 31, 2003, the Japanese economy showed signs of recovery in the first half of the fiscal year due to increase in export and progress in inventory adjustments. In the second half of the fiscal year, however, the economic slump continued without real recovery owing to some signs of export decline.

Under these circumstances, the Group has promoted enhancement of business competitiveness by strengthening segment management, while carrying out measures: progress in rationalization and cost reduction including reduction in personnel levels; alliance and portfolio restructuring including divestiture, de-consolidation or withdrawal of business especially in Petrochemicals Segment and Performance Products Segment. Furthermore, the Group was active in pursuing of delivering value to our customers, integrating group strength such as establishing a solution web site “Plastics Site of Mitsubishi Chemical Group”, and redressing

the products prices. In addition to those mentioned management measures, market price recovery in Asia for petrochemical products such as raw materials for synthetic fibers due to the market growth in China, sales expansion in information and electronics businesses due to demand recovery in IT related products and businesses have all contributed to the consolidated performance of the fiscal year under review.

As for the general business environment for the Group, the harsh business environment remained owing to rising raw material costs including naphtha, due to the drop in crude oil exports caused by growing tension over the situation in Iraq in the second half of the fiscal year, although a part of the petrochemical products exhibited some improvement in certain overseas markets.

The consolidated business results for the fiscal year ended March 2003, total sales increased to ¥ 1887.5 billion (6.0% increase compared with the previous fiscal year) . Operating profits amounted to ¥ 92.0 billion (163.9% increase compared with the previous fiscal year), recurring profit improved to ¥ 75.6 billion (966.7% increase compared with the previous fiscal year), and net profits amounted to ¥ 21.4 billion.

(ii) Dividends

As declared, considering profit distribution policy of Mitsubishi Chemical Corporation, we intend to pay year-end dividends of ¥3 per share.

(iii) Overview of Business Segments

Mitsubishi Chemical Group's operating businesses have been realigned into five segments to bring greater effects in strategies since the beginning of this fiscal year. For purposes of comparison, business results for the previous fiscal year have been restated in accordance with the alignment of the new operational business segments.

Petrochemicals

Sales of the segment was ¥ 679.1 billion (5.5% increase compared with the previous fiscal year), and the operating income was ¥ 20.6 billion.

The Petrochemicals Segment handles primarily basic raw materials and commodity monomers and polymers.

The production volume of ethylene, a major basic raw material for petrochemicals, increased by 4.0% compared to the same period in 2002, and reached 1.31 million tons. The increase

was mainly due to the effect of the production operation without regular maintenance at Mizushima Plant. Earnings for the synthetic resins such as polyethylene and polypropylene improved due to rationalization effect and demand recovery in some propylene products. Rising raw material costs affected total earnings for the synthetic resins, however, and earnings did not reach full recovery. Sales increased for basic petrochemicals, industrial chemicals, and fiber intermediates and others, as market price improved in Asia affected by significant market growth in China. Also, C4 derivatives and engineering-plastics businesses have been transferred to this Segment.

Major actions taken for the Petrochemicals Segment during the fiscal year ended March 2003 are as follows:

- The exclusive license on the production technology for catalytic ethylene glycol process was supplied to Shell International Ltd. (April)
- Sam Yang Kasei Co., Ltd. in Korea expanded its production facility for polycarbonate. (April)
- The production facility for N-methyl-2-pyrrolidone at Mizushima Plant was renewed. (April)
- The production facility for Bisphenol A was newly constructed at Kurosaki Plant. (June)
- Yuka Seraya (Pte) Ltd. in Singapore started to purchase styrene monomer by contract from the newly-built production facility of ELLBA Eastern (Pte) Ltd. (July)
- Concerning polystyrene business in Japan, a basic agreement was reached to integrate A&M Styrene Co., Ltd., a 50-50 joint venture with Asahi Kasei Corp., with Idemitsu Petrochemical Co., Ltd. (July)
- Japan Polychem Corp. closed a part of the production facility for high density polyethylene at Kawasaki Plant. (August)
- The production facility for 1,4-butanediol/tetrahydrofuran at Yokkaichi Plant was expanded. (September)
- A part of the production facility for terephthalic acid at Matsuyama Plant was closed. (September)
- As for terephthalic acid business in Japan, the sales departments of Mitsubishi Chemical Corp. and Mitsubishi Gas Chemical Company, Inc. were integrated, and the businesses were transferred to their joint venture company, Dia Terephthalic Acid Corp. (October)
- MCC PTA INDIA Corporation Private Ltd. expanded the production facility for terephthalic acid. (November)
- The production facility for polybutylene terephthalate at Yokkaichi Plant was expanded. (December)

- Japan Polychem Corp. closed the production facility for polypropylene at Yokkaichi Plant. (December)
- Mitsubishi Chemical Corp. acquired 50% of the equity of Schenectady Korea Ltd. from Schenectady International Inc. (December)
- Mitsubishi Chemical Foam Plastic Corp. became 100%-owned subsidiary of Mitsubishi Chemical Corp. (January 2003)

Performance Products

Sales of the segment amounted to ¥ 451.8 billion (1.4% decrease compared with the previous fiscal year), and the operating income increased to ¥ 30.5 billion (270.7% increase compared with the previous fiscal year).

Businesses covered in the Performance Products Segment are high value-added specialty chemicals, functional polymers, functional components and carbon products. The mainly targeted three markets are information and electronics, health care and food additives and environment and energy.

The production volume of cokes increased due to the recovery in both domestic and overseas crude steel production. Incomes for fertilizers and inorganic products decreased due to causes such as demand decrease. Significant improvements were achieved in information and electronics related products contributed by satisfactory business in optical medias reflecting changes in business model and the effects of rationalization such as withdrawal of unprofitable businesses. Favorable business results continued overall for specialty chemicals and functional polymers due to favorable market conditions and sales activity efforts: new business contract and the business integration effect with Yoshitomi Fine Chemical, Ltd. in active pharmaceutical ingredients business; successful results for functional polymers and functional dyes.

Major actions taken for the Functional Materials segment during the fiscal year ended March 2003 are as follows:

- The fertilizer business was separated and Mitsubishi Chemical Agri, Inc. was established as a 100% subsidiary of Mitsubishi Chemical Corp. (April)
- Concerning the printing equipment business, the whole shares in Western Litho Plate and Supply Co. was sold to Lastra America Corp. (April)
- Frontier Carbon Corp. started its sample sale of fullerene produced by combustion method. (May)

- The chemistry for the new “Oasis Clean” system was jointly developed with Applied Materials, Inc. of the US. (July)
- Mitsubishi Kagaku Media Co., Ltd. launched high speed 48x recordable CD-R disc for data. (August)
- Mitsubishi Kagaku Media Co., Ltd. launched environmental friendly 3.5" Magneto Optical disk. (August)
- Mitsubishi Kagaku Media Co., Ltd. launched three new product lines for data DVD discs. (August)
- Nippon Kasei Chemical Co., Ltd. transferred its fertilizer business to Mitsubishi Chemical Agri, Inc. (September)
- Mitsubishi Kagaku Media Co., Ltd. launched ultra speed 24x CD-RW disc for data. (September)
- The agrochemical business was transferred to Nihon Nohyaku Co., Ltd. (October)
- The production facility for ammonia at Kurosaki Plant was closed. (October)
- Concerning activated carbon business, Mitsubishi Chemical Corp. and Toyo Calgon Co. Ltd., a Japanese subsidiary of Calgon Carbon Corp. integrated their businesses and started their joint venture company, Calgon Mitsubishi Chemical Corp. (October)
- Active pharmaceutical ingredients (API) and a part of fine chemicals businesses were integrated and established API Corp. (October)
- Mitsubishi Chemical Corp. transferred a part of the shares of Advanced Colortech, Inc. to Dai Nippon Printing Co. (October)
- The offset printing plate business was transferred to Kodak Polychrome Graphics Japan, Ltd. (December)
- The hard disk business of Mitsubishi Chemical Infonics Pte Ltd. was transferred to Showa Denko group. (January 2003)
- Dia Instruments Co., Ltd. transferred the business of digital defect detection system to Mamiya-OP Co., Ltd. (January 2003)
- Mitsubishi Kagaku Media Co., Ltd. launched a new lineup of 4x DVD-R recordable discs for video and data use. (February 2003)
- Concerning industrial separate gas, the manufacturing and sales business was transferred to Kashima Oxygen Co., Ltd. and purchasing and sales business was sold to Taiyo Toyo Sanso Co., Ltd. (March 2003)

Functional Products

Sales of the segment was ¥ 320.7 billion (5.0 % decrease compared with the previous fiscal year), and the operating income was ¥ 10.8 billion (2.4 % decrease compared with the previous fiscal year).

This segment provides plastics and films as materials for IT, housings and buildings, and food packaging as solution packages that solve and satisfy the needs of our customers.

Civil engineering and construction-related products decreased in both sales and profits due to bearish market price reflecting demand decline in relating to public works and suffering from effects of deflation. In spite of demand recovery in industrial application of polyester films, such as demand recovery for IT-related demands, severe condition for profit continued with intensified business competition.

Major actions taken for the Functional Materials segment during the fiscal year ended March 2003 are as follows:

- The plastic pallet business and the shares in Nippon Plastic Pallet Corp. were transferred to Dainippon Ink and Chemicals Inc. (April)
- ADVANCED PLASTICS COMPOUNDS CO. established a manufacturing and marketing company for synthetic resin compounds in China. (April)
- Concerning PVC tube business, Mitsubishi Plastics, Inc. established an integrated manufacturing company, M&S Pipe Systems Co., with Sekisui Chemical Co., Ltd. (April)
- Mitsubishi Plastics, Inc. jointly developed plant derived plastics for housing of electronics with Sony Corp. (June)
- Mitsubishi Plastics, Inc. established a joint venture company for production of polyethylene electrofusion joints in China with Sekisui Chemical Co., Ltd. (June)
- Mitsubishi Plastics, Inc. established Hishi Plate Co., Ltd. by separating its production department for resin plate business. (August)
- Concerning converting plastic films, the joint venture with Kohjin Co., Ltd. was dissolved and the business was transferred to Mitsubishi Plastics, Inc. (September)
- Mitsubishi Chemical Functional Products, Inc. was received an order of titanium composite material as roofing material for the National Grand Theater of China in Beijing. (December)
- Mitsubishi Plastics, Inc. launched the plastic terminal box with recycle material for public sewage pipeline. (January 2003)
- Mitsubishi Plastics, Inc. launched PET-G film with black-color rewritable function for IC cards. (February 2003)

Health Care

Sales of the segment increased to ¥ 320.0 billion (42.4 % increase compared with the previous

fiscal year), and the operating income increased to ¥ 30.5 billion (24.4% increase compared with the previous fiscal year).

Businesses in this segment cover pharmaceuticals, new drug discovery, clinical testing, and diagnostic reagents.

As to pharmaceuticals, both the sales and operational income have increased as Mitsubishi Pharma Corporation and its consolidated subsidiaries have become the company's consolidated subsidiaries since October last year, and sales increased in ethical brain protecting agent, "RADICUT". While the sales were steady for clinical testing business, circumstances were severe in terms of profits due to the decreased contract price.

Major actions taken for the Health Care segment during the fiscal year ended March 2003 are as follows:

- Mitsubishi Kagaku Medical, Inc. launched human papillomavirus detection kit. (April)
- Mitsubishi Pharma Corp. started to sell "VASOMET Tablets" and "MOVER Tablets" by itself. (April)
- Stocks of UK genetic diagnosis venture company, IC-Vec Ltd. were acquired. (May)
- Mitsubishi Kagaku Bio-Clinical Laboratories, Inc. started to provide rice variety identification by DNA analysis. (June)
- Yoshitomi Pharmaceutical Industries, Ltd. started a joint promotion of its anti-depressant drug, "Paxil tablets" with GlaxoSmithKlein K.K. (July)
- Mitsubishi Chemical Bio-Clinical Laboratories, Inc. jointly developed the electronic medical chart with Fujitsu Ltd. (July)
- Mitsubishi Pharma Corp. launched the injectable new quinolone antibacterial agent, "Pazucross INJECTION". (September)
- Mitsubishi Pharma Corp. launched "Fludecasin Kit INTRAMUSCULAR INJECTION 25mg." (September)
- Mitsubishi Pharma Corp. separated its biological products division and established Benesis Corp. (October)
- Mitsubishi Pharma Corp. launched antihypercholesterolemic drug, "CHOLEBINE Mini 83%" as addition of dosage form. (October)
- Mitsubishi Kagaku Medical, Inc. developed the compact chemiluminescent immunoassay system, "PATHFAST". (October)
- Mitsubishi Kagaku Medical, Inc. acquired the exclusive right in Japan to use a new breast cancer biomarker (NMP66) and its detection technology that Matritech Inc., US bio

venture company, owned. (November)

- Mitsubishi Pharma Corp. concluded an agreement that US subsidiary Alpha Therapeutic Corp. transferring certain assets to Baxter Healthcare Corp. (December)
- Mitsubishi Kagaku Medical, Inc. launched the inspection reagent for legionella antigen in urine. (January 2003)
- Mitsubishi Pharma Corp. closed Fukusaki Research Laboratory. (March 2003)
- Mitsubishi Pharma Corp. returned the entrusted portion of the employee pension fund. (March 2003)

Services

Sales of the segment was ¥ 115.9 billion (0.1 % decrease compared with the previous fiscal year), and the operating income was ¥ 9.9 billion (2.9 % increase compared with the previous fiscal year).

This segment provides Mitsubishi Chemical Group with services such as IT, engineering and logistics as well as for customers.

While the logistics service increased its sales due to volume increase of transportation, engineering service decreased its profit due to dropped construction volume with intensified business competition.

Major actions taken for the Services Segment during the fiscal year ended March 2003 are as follows:

- Ryoka Systems Inc. participated in the new drug discovery project of Tokai University. (April)
- Mitsubishi Chemical Logistics Corp. expanded its warehouses in Kashima, Ibaraki and Kazo, Saitama. (October and November)

Others

- The management structure was shifted to segment management system. (April)
- Mitsubishi Kagaku Institute of Life Sciences established the first private think tank on bioethics and medical ethics, the Center for Life Science and Society in Japan. (April)
- Mitsubishi Kagaku Institute of Life Sciences succeeded in clone cultivation of human skeletal muscle stem cell. (June)
- Mr. Ryuichi Tomizawa was appointed the president and Chief Executive Officer. (June)
- The relocation of the head office to Minato-ku, Tokyo in October 2003 was determined.

(July)

- The Integrative Industry-Academia Partnership was established between Kyoto University and other four companies. (August)
- The 23rd domestic straight bond was issued. (August)
- The website for plastics solution site of Mitsubishi Chemical Group was established. (October)
- The mid-term management plan, “KAKUSHIN” Plan: Phase-1 was developed and announced. (November)
- The 24rd domestic straight bond was issued. (December)
- The 25rd domestic straight bond was issued. (January 2003)
- We obtained permission for establishing a processing facility on the treatment of making PCBs stored in tanks harmless. (March 2003)
- The first results of Integrative Industry-Academia Partnership with Kyoto University and other four companies were announced. (March 2003)

Expenses including corporate research and technology development that cannot be defined to specific businesses have not been included in the operational income for each segment. The concerned investment was ¥ 10.3 billion for the first half of this fiscal year.

(iv) Business Forecast for the Fiscal Year Ending March 31, 2004

In terms of the future business environment, future prospects remain extremely uncertain due to expected prolonged deflation, weak signs of domestic demand recovery, more marked slowdown in the economic recovery in the US, due to such effects as Iraqi issue, export decline to Asia including China caused by SARS issue. Furthermore, it is anticipated that the international competition will become further fierce, as the large-scale modern petrochemical plants will successively start their operations in Asia and the Middle East.

Under these circumstances, however, Mitsubishi Chemical Group will further strive to improve and enhance profitability in each business segments, and ensure execution of the mid-term management plan, the “KAKUSHIN” Plan, while strengthening sales and marketing activities by integrating group competencies, progress in rationalization and cost reduction, and acceleration and prioritization of R&TD for new business development.

For the fiscal year ending March 31, 2004, the Group companies have already implemented or will implement the following measures:

Petrochemicals

- A&M Styrene Co., Ltd. established PS Japan Corp. by integrating polystyrene business with Idemitsu Petrochemical Co., Ltd. (April 2003)
- V-Tech Corp. will expand the production facility for vinyl chloride monomer at its Mizushima Plant. (June 2003)
- Mitsubishi Chemical Foam Plastic Corp. will be merged with JSP Corp. (July 2003)

Performance Products

- Green sustainable plastics, “GS Pla[®]” was launched. (April 2003)
- Frontier Carbon Corp. newly constructed commercial production facility for fullerene in Kurosaki. (April 2003)
- Frontier Carbon Corp. will start commercial plant operation of fullerene. (June 2003)

Functional Materials

- Mitsubishi Polyester Film, LLC in the US will expand the production facility for polyester. (May 2003)

Health Care

- Alpha Therapeutic Corp., US subsidiary of Mitsubishi Pharma Corp. concluded an agreement to transfer its plasma fractionation business to Probitas Pharma S.A. (April 2003)
- Three clinical diagnostic companies of Mitsubishi Chemical Group: Mitsubishi Kagaku Medical, Inc., Iatron Laboratories, Inc., and Dia-Iatron Co., Ltd. will be merged. (July 2003)

Services

- DIA RIX CORP. was established by a merger of Ryoka Rix Corp. and Ryoka Service Corp. (April 2003)
- Dia Analysis Service Inc. was established by a merger of ACT Research Center Inc. and Ibaraki Environmental Technical Center Co., Ltd. (April 2003)

Others

- Joint development of biomass resources, green sustainable plastics, “GS Pla[®]” started with Ajinomoto Co., Inc. (April 2003)
- Mitsubishi Kagaku Institute of Life Sciences started to invite applications for research project leaders, as part of review of the mission. (April 2003)
- The 26th and the 27th domestic straight bonds were issued. (May 2003)

- Corporate R&TD division, MCC-Group Science and Technology Research Center will be separated from Mitsubishi Chemical Corp. and establish an independent company, merged with the Center for Analytical Chemistry and Science, Inc. (July 2003)
- The head office will be relocated to Minato-ku, Tokyo. (October 2003)

As to the forecast for the consolidated business results for the fiscal year ending in March 31, 2004, we expect the total sales of ¥ 1,930 billion, operating incomes of ¥ 92 billion, recurring profit of ¥ 77 billion and net profits of ¥ 24 billion. The above forecast has included the expected outcomes of the various measures that Mitsubishi Chemical Group has been taking to improve profits and strengthen its business structures, and the future prospects of deteriorating product market price compared with that of the fiscal year ended March 31, 2003.

The expected numerical values of the major indices are as follows:

(Unit: in ¥ billion)

	Forecast for the fiscal year ending March 31, 2004.	Actual results for the fiscal year ended March 31, 2003.
Capital investment	80.0	85.3
Depreciation	103.0	103.2
R&TD cost	94.0	91.0
Exchange rate (¥/\$)	125	121
Naphtha (¥/kl)	24,000	24,000

(2) Financial Position

(i) Consolidated Statements of Cash Flows of the Fiscal Year Ended March 31, 2003

The free cash flow was ¥ 76.4 billion as the results of a substantial increase in the net income before tax to ¥ 43.8 billion when compared with the previous fiscal year, controlled capital investment within the depreciation and amortization, sales and decrease of assets. The obtained free cash flow was used to reduce the interest-bearing debts.

On the other hand, the balance of cash and cash equivalent decreased as of September 30, 2002 by ¥ 15.7 billion to ¥ 59.3 billion.

(ii) Forecast for the Fiscal Year Ending March 31, 2004

The net income before tax of the fiscal year ending March 31, 2004 is expected to amount ¥ 65.0 billion. The reduction of interest-bearing debts is expected by the control of capital investments within the depreciation and condensing assets.

(iii) Cash Flow Ratios

	Fiscal year ended March 31, 2001	Fiscal year ended March 31, 2002	Fiscal year ended March 31, 2003	Fiscal year ended March 31, 2004
Ratio of shareholders' equity to total assets (%)	19.7%	19.0%	15.3%	16.5%
Ratio of market value shareholders' equity to total assets (%)	44.3%	36.7%	27.3%	21.6%
Debt payment year (year)	8.4	8.4	11.4	7.3
Interest coverage ratio (%)	447.7%	412.5%	386.6%	792.4%

- Ratio of shareholders' equity to total assets :
Book value of shareholders' equity / Book value of total assets
- Ratio of market value shareholders' equity to total assets :
Market value of shareholders' equity / Book value of total assets
- Debt payment year :
Interest-bearing debts / Net cash provided by operating activities
- Interest coverage ratio :
Net cash provided by operating activities / Interest paid

1. Each ratio is calculated by consolidated financial figures.
2. Market value shareholders' equity is calculated by multiplying market value of a share by the number of shares outstanding at the end of the fiscal year.
3. Net cash provided by operating activities is from "net cash provided by operating activities" in the consolidated financial information.
Interest-bearing debts consist of all of the liabilities which bear interest in the consolidated balance sheet including discounted notes.
Interest paid is from the consolidated statement of cash flows.

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 [3], [7] and Page [12] through Page [15] hereof.