



MEMBERSHIP

November 10, 2005

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

1. Business Results for the First Half of the Fiscal Year Ending March 31, 2006
(Business period: April 1, 2005 - September 30, 2005)

The First Half of the Fiscal Year	The First Half of the Fiscal Year	The Previous Fiscal Year
April 1, 2005 - September 30, 2005	April 1, 2004 - September 30, 2004	April 1, 2004 - March 31, 2005

(1) Results of Operations:

(Millions of Yen)

Net sales	1,134,726	1,039,009	2,189,462
Operating income	71,922	67,985	148,624
Income before income taxes	76,544	51,385	106,604
Net income	46,054	24,624	55,372

(2) Financial Position:

(Millions of Yen)

Total assets	2,010,967	1,949,679	1,970,528
Inventories	309,901	273,442	277,721
Property, plant and equipment	677,000	697,085	674,953
Short-term and long-term debt	674,496	798,324	704,077
Shareholders' equity	508,609	410,694	445,977
Ratio of shareholders' equity to total assets (%)	25.3	21.1	22.6

(3) Cash Flows:

(Millions of Yen)

Net cash provided by operating activities	80,488	93,292	222,821
Net cash used in investing activities	(17,889)	(20,182)	(57,642)
Net cash provided by (used in) financing activities	(42,973)	(76,809)	(171,306)
Cash and cash equivalents at end of the year	72,365	53,921	52,575

(4) General:

(Millions of Yen)

Capital expenditures	43,914	30,605	67,123
Depreciation and amortization	40,818	42,282	87,708
R&D expenditures	43,718	44,694	89,215
Employees (number)	33,092	33,603	33,261

(5) Per Share:

(Yen)

Net income	21.18	11.32	25.40
Shareholders' equity	234.02	188.96	205.09

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

[First half of this year] 2,137,597,090 [First half of the previous year] 2,173,598,295 [Previous year] 2,173,796,826

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

[First half of this year] 2,173,327,075 [First half of the previous year] 2,173,422,584 [Previous year] 2,173,794,699

(6) Ratio of Net Income to:

(%)

Shareholders' equity	9.6	6.0	13.1
Total assets	2.3	1.2	2.7
Net sales	4.0	2.3	2.5

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

The First Half of the Fiscal Year	The First Half of the Fiscal Year	The Previous Fiscal Year
April 1, 2005 - September 30, 2005	April 1, 2004 - September 30, 2004	April 1, 2004 - March 31, 2005

(7) Segment Information:

[Net Sales by Segment]	(Note 1)	(Millions of Yen)	
Petrochemicals	489,292	427,915	933,425
Performance Products	258,514	233,520	469,946
Functional Products	180,206	174,728	356,641
Health Care	141,256	138,308	277,808
Services	65,458	64,538	151,642
Total	1,134,726	1,039,009	2,189,462

[Operating Income (Loss) by Segment]	(Millions of Yen)		
Petrochemicals	15,683	23,462	58,586
Performance Products	27,353	21,598	40,642
Functional Products	11,074	10,983	21,499
Health Care	16,634	12,963	28,694
Services	5,604	4,777	11,215
Elimination & corporate costs	(4,426)	(5,798)	(12,012)
Total	71,922	67,985	148,624

Note:

- 1 From this period, one consolidated subsidiary was reclassified from the Health Care Segment to the Performance Products Segment to reflect its performance in the appropriate segment. This change has increased the sales by 508 million yen in the Performance Products Segment and decreased the sales by 508 million yen in the Health Care Segment from those calculated under the previous segmentation. The impact on the operating income of both segments is immaterial.

2. Business Performances and Financial Position

(1) Business Performances

(i) Consolidated Performance for the First Half of Fiscal Year Ending March 31, 2006

(From April 1, 2005 to September 30, 2005)

During the first half of the current fiscal year, the Japanese economy developed steadily owing to a rise in exports driven by strong appetite in the US and China, an increase in corporate capital expenditure, and stable consumer spending. As for the Group's business environment, both domestic and overseas demands remained strong. The effect of a further hike in the crude oil and naphtha prices, however, leaves future prospects uncertain.

Under these circumstances, in order to achieve our goals set in the 'KAKUSHIN Plan: Phase 2' which has started from April 2005, the Group has continued to expand sales, reinforce marketing by opening up new demands, and making efforts to correct product prices.

For the first six months of FY2005, consolidated net sales increased to ¥ 1,134.7 billion, (95.7 billion yen or 9.2% increase compared to the first half of the previous fiscal year), owing to the price rises in the petrochemicals and favorable demands in the steel-related businesses. Operating income increased to 71.9 billion yen (3.9 billion yen or 5.8% increase compared to the first half of the previous fiscal year), despite the regular maintenance year for the Mizushima Plant, once in every four years. The increase was mainly due to the marginal gain by difference in procurement and consumption price of raw materials and lower than expected R&D spending in the pharmaceuticals business. Recurring profit increased to 79.1 billion yen (9.9 billion yen or 14.2% increase compared to the first half of the previous fiscal year), due to improvements in net interest expense and the investment profit on equity method. Consolidated net income also increased to 46.1 billion yen, (21.5 billion yen or 87.0% increase compared to the first half of the previous fiscal year) due to decrease in the extraordinary loss.

(ii) Dividends

Based on the projected business results for the first half of FY2005, and the announcement of the interim dividends to be paid 3 yen at maximum at the general meeting of shareholders on June 28, 2005 regarding approval of the establishment of the holding company, interim dividends of 3 yen will be paid.

(iii) Overview of Business Segments

Petrochemicals

Net sales of the segment increased to 489.3 billion yen (61.4 billion yen or 14.3% increase compared to the first half of the previous fiscal year). Operating income was 15.7 billion yen (7.7 billion yen or 33.2% decrease compared to the first half of the previous fiscal year), according to factors such as the regular maintenance of Mizushima Plant.

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

560 thousand tons. The reason for the decrease in production volume by 13% compared to the first half of the previous fiscal year is due to the regular maintenance in Mizushima Plant (once in every four years), and temporary production stoppage due to earthquake and mechanical troubles.

Businesses in basic petrochemicals, industrial chemicals, fiber intermediates and synthetic resins experienced even higher raw material prices compared to the previous year and a temporary but a drastic fall in the market price for some of the products. Despite those business environments, both domestic and overseas demands generally developed at a high level and efforts were paid to raise product prices reflecting hiking raw material costs.

Major actions taken for the Petrochemicals Segment during the first half of the fiscal year ending March 31, 2006 were as follows:

- Sun-Dia Polymers, Ltd. constructed a plant for super-absorbent polymers in Nantong, China, and has started the commercial production. (April 2005)
- Ningbo Mitsubishi Chemical Corporation has started construction of a plant for purified terephthalic acid in the Ningbo Daxie Development Zone, China. (May 2005)
- Mitsubishi Chemical Corporation acquired shares of Echizen Polymer Co., Ltd. owned by Kanebo, Ltd. (September 2005)
- Mitsubishi Chemical Corporation and Mitsubishi Gas Chemical Company, Inc. have reached a basic agreement to establish a joint venture to produce polyols (polyvalent alcohols) including neopentyl glycol, trimethylol propane and ester glycol. (September 2005)

Performance Products

Net sales of the segment increased to 258.5 billion yen (25.0 billion yen or 10.7% increase compared to the first half of the previous fiscal year), and the operating income was 27.4 billion yen (5.8 billion yen or 26.6% increase compared to the first half of the previous fiscal year).

Favorable business results continued for performance polymers and food ingredients. In the area of information and electronics related products, net sales for optical disc business increased as the continuing global market expansion of DVDs covered decline in product prices. Also, sales in organic photo conductor (OPC) drums continued firmly despite decline in product prices. Coke business developed favorably overall, despite a slight slowdown in the production level of crude steel in the middle of the first half of FY2005. Carbon black business, however, progresses severely owing to the hiking raw materials costs. Fertilizers were also affected by the increased raw material costs.

Major actions taken for the Performance Products Segment during the first half of the fiscal year ending March 31, 2006 were as follows:

- API Corporation has started contract production of *Cefzon* bulk for overseas market for Astellas Pharma Inc. (April 2005)

- 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)
- Nippon Kasei Chemical Company Limited has decided to withdraw from three businesses: dimethylol propionic acid, dimethylol butane acid, and hexamethylenetetramine. (July 2005)
- Mitsubishi Kagaku Media Co., Ltd. launched DVD+R/CD-R disc for LightScribe that allows direct writing of index information such as letters and graphics on disc label side. (July 2005)
- Mitsubishi Kagaku Media Co., Ltd. launched new single-sided dual-layer 8.5 GB DVD-R which users can print labels with inkjet printers or written by hand with water-based felt pens. (July 2005)
- Mitsubishi Kagaku Media Co., Ltd. launched 8x double-layer DVD+R discs. (September 2005)

Functional Products

Net sales of the segment amounted to 180.2 billion yen (5.5 billion yen or 3.1% increase compared to the first half of the previous fiscal year). Operating income was 11.1 billion yen (0.1 billion yen or 0.8% increase compared to the first half of the previous fiscal year).

All types of films including composite films and sheets progressed soundly, due to the strong appetite in semiconductors and LCD-related industries. Both construction materials and industrial application materials progressed firmly in general, despite increase in raw material costs.

Major actions taken for the Functional Products Segment during the first half of the fiscal year ending March 31, 2006 were as follows:

- Mitsubishi Plastics, Inc. developed and launched PVC plates for industrial use, which are not contained lead stabilizer and certified by FM Approvals meeting standards of flame resistance for clean room materials. (June 2005)

- Mitsubishi Chemical Functional Products, Inc. succeeded in developments of high performance carbon brake disc, which achieved significant weight reduction from the metallic base disc by combining silicon with carbon-carbon composites. (July 2005)
- Biodegradable plastic film, *Ecoloju* of Mitsubishi Plastics, Inc. was adopted as biodegradable plastic label of pet bottles for the first time in Japan. (July 2005)
- Mitsubishi Plastics, Inc. launched heat-ray absorbing polycarbonate corrugated plate, *Hishinami Polyca Heat Guard Hyper* which heat-ray absorbing rate is about 18% improved than existing products. (July 2005)
- Mitsubishi Chemical Functional Products, Inc. started shipments of high performance carbon composite robot arms and other carbon fiber products for the 8th generation liquid crystal glass substrates carrier system. (September 2005)

Health Care

Net sales of the segment increased to 141.2 billion yen (2.9 billion yen or 2.1% increase compared to the first half of the previous fiscal year), and the operating income increased to 16.6 billion yen (3.6 billion yen or 28.3% increase compared to the first half of the previous fiscal year).

As to pharmaceuticals, businesses progressed firmly in general, mainly in the ethical neuroprotective agent, *RADICUT inj.* and anti-platelet agent, *ANPLAG*. Net sales for clinical testing increased as the results of expansion of sales location. Business in testing for clinical trials progressed satisfactory.

Major actions taken for the Health Care Segment during the first half of the fiscal year ending March 31, 2006 were as follows:

- Mitsubishi Pharma Europe Ltd. received approval in June 2005, for the sale in Germany of the selective antithrombin agent *Argatroban*, which was released by Mitsubishi Pharma Deutschland GmbH in July under the brand name *Argatra*. (July 2005)

Services

Net sales of the segment were 65.5 billion yen (0.9 billion yen or 1.4% increase compared to the first half of the previous fiscal year), and the operating income was 5.6 billion yen (0.8 billion yen or 17.3 % increase compared to the first half of the previous fiscal year).

Both logistics and engineering service businesses progressed steadily.

Others

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 4.5 billion yen for the first half of this fiscal year.

Major actions taken other than the above-mentioned items in each segment during the first half of the fiscal year ending March 31, 2006 were 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)
- MC Research and Innovation Center, Inc. established a laboratory to support the research partnership with the University of California, Santa Barbara on advanced materials. (May 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)
- Mitsubishi Chemical Corporation purchased the Mitsubishi Chemical Corporation Series 1-3 ¥8,000,000,000 unsecured 1.6% convertible bond due 2006 (ISIN code JP389580PSC2). (August 2005)

(2) Financial Position

(i) Financial Position for the First Half of the Fiscal Year Ending March 31, 2006

Total consolidated assets were 2,011.0 billion yen, an increase of 40.5 billion yen compared to the end of the previous fiscal year. The increase was due primarily to the increase in inventory assets according to the hiking raw material costs and an increase in the investment securities due to increase in market value.

Total consolidated liabilities were 1,349.8 billion yen, a decrease of 35.3 billion yen compared to the end of the previous fiscal year. The decrease was due primarily to reduction of short-term debts and corporate bonds.

The balance of shareholders' equity was 508.6 billion yen, an increase of 62.6 billion yen compared to the end of the previous fiscal year. The increase was due to the achievement of consolidated net income of 46.1 billion yen and increase of unrealized gains on investment securities, regardless of dividend payment.

As a result, the equity ratio was 25.3%, an increase of 2.7% compared to the end of the previous fiscal year, and the debt-equity ratio became 1.34, an improvement by 0.25 compared to the end of the previous fiscal year.

(ii) Consolidated Statements of Cash Flows for the First Half of the Fiscal Year Ending March 31, 2006

The free cash flow (operation cash flow and investing cash flow) was 62.6 billion yen, a decrease of 10.5 billion yen compared to the first half of the previous fiscal year. The decrease was due primarily to increase in working capital resulting from escalating prices of raw materials, regardless of achieved net income before income taxes of 76.5 billion yen. The cash and cash equivalents generated by above free cash flow (CASH) was mainly used for repayment of interest-bearing debts and dividend paid to shareholders and minority shareholders of subsidiary companies. The ending balance of CASH was 72.4 billion yen, an increase of 19.8 billion yen compared to the previous fiscal year.

The net cash provided by operating activities during the first half of the current fiscal year was 80.5 billion yen, a decrease of 12.8 billion yen compared to the first half of the previous fiscal year. The decrease was due primarily to the increase in working capital such as inventories according to the rise in raw materials prices.

The net cash used in investing activities was 17.9 billion yen, a decrease of 2.3 billion yen compared to the first half of the previous fiscal year. The decrease was due primarily to increase in proceeds from sale of investment securities, regardless of increase in capital expenditures.

The net cash used in financing activities was 43.0 billion yen, a decrease of 33.8 billion yen compared to the first half of the previous fiscal year. It was mainly used in repayment of interest-bearing debts and dividend payment.

(iii) Cash Flow Ratios

	Fiscal year ended March 2003	Fiscal year ended March 2004	Fiscal year ended March 2005	First half of the fiscal year ending March 2005
Ratio of shareholders' equity to total assets (%)	16.5%	19.8%	22.6%	25.3%
Ratio of market value shareholders' equity to total assets (%)	21.6%	34.5%	37.7%	40.6%
Debt payment year (year)	7.3	6.0	3.2	4.2*
Interest coverage ratio (%)	792.4%	1094.1%	2055.2%	1436.8%

- 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

*As for the first half of the fiscal year ending March 2005, net cash provided by operating activities is twice as much as actual results of the first half of the fiscal year ending March 2005.

• 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.