

mitsubishi
RAYON



Interim Report

April 1998 — September 1998

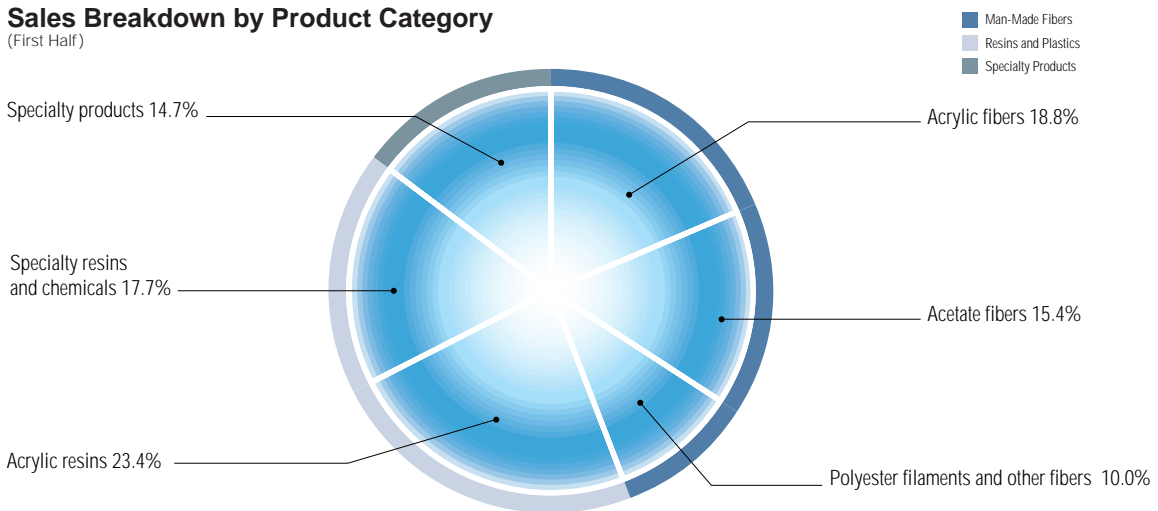


FINANCIAL HIGHLIGHTS

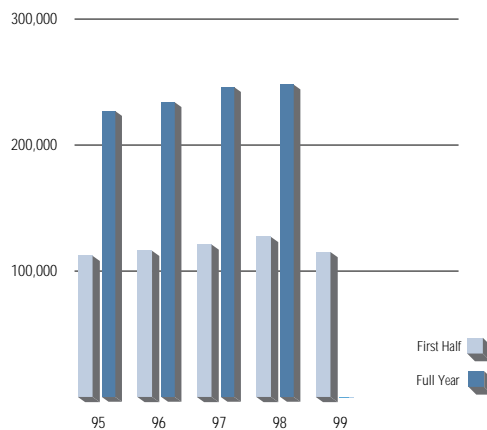
Mitsubishi Rayon Company, Limited Six months ended September 30, 1998 and 1997

NON-CONSOLIDATED BASIS	Millions of yen	
	1998	1997
Net sales	¥114,572	¥127,040
Income before income taxes	6,873	8,826
Net income	3,791	4,507
Total assets	¥321,805	¥325,305
Shareholders' equity	134,673	131,612

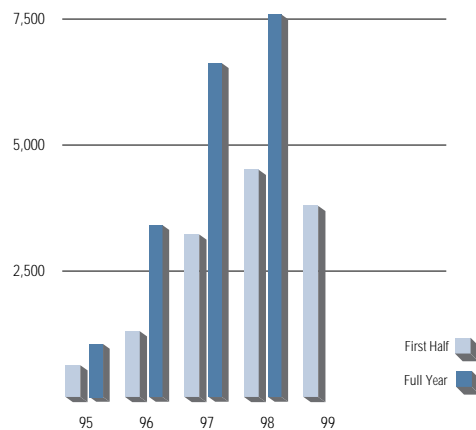
Sales Breakdown by Product Category (First Half)



Net Sales (Non-Consolidated)
(Millions of Yen)



Net Income (Non-Consolidated)
(Millions of Yen)



Note: Figures for 1999 are for the six months ended September 30, 1998;
Figures for 1995-1998 are for the years ended March 31, 1995, 1996, 1997, and 1998.

A MESSAGE FROM THE PRESIDENT

It is my pleasure to present this report on the business performance of Mitsubishi Rayon Co., Ltd. for the six-month period from April 1 to September 30, 1998.

In the Japanese economy during the period under review, without the support of public demand, there was an all-round slump in domestic demand, including personal consumption, capital investment, and investment in housing. In exports, despite comparatively stable shipments to Europe and the U.S., exports to Asia followed a downtrend. Adding to these falls in demand, the combination of factors such as the delay in stabilizing the financial system, and increasing unease about the employment situation, drove the economy further into recession.

Business Performance

In this environment, with fiscal 1998 as the final year of its medium-term business plan, the "SS → 21 Plan," Mitsubishi Rayon worked to further boost its competitiveness, and at the same time, pushed forward with efficiency increases across the board. However, given sustained falls in sales prices in both our core business areas, man-made fibers and resins and plastics, market conditions and the balance between supply and demand continued to worsen.

Consequently, net sales for the period were ¥114,572 million, a decrease of 9.8% from the corresponding period in the previous term, and interim net income was ¥3,791 million, down 15.8% from the corresponding period in the previous term. We maintained the interim dividend at the previous interim period's ¥3.00 per share.

The results by segment were as follows.

Man-Made Fibers

Domestic demand for acrylic staples remained extremely sluggish due to factors such as increasingly stagnant sales of both apparel and home furnishings. Against the background of a low yen, there was an increase in export volume, but export conditions became increasingly difficult, adversely affected by a rapid drop in prices. In acetate and polyester filaments, despite comparatively steady textile exports, centered on shipments to Europe and the U.S., there was a continued fall in sales of

women's clothing, the main application of these filaments. In particular, market conditions for many polyester fabric applications were the worst ever.

As a result, interim sales of man-made fibers fell 13.3% from the corresponding period in the previous term.

Resins and Plastics

In acrylic resins, specialty resins, and chemicals, prices were soft and sales volumes decreased, affected by sluggish business in industries such as automobiles, housing, and household electrical products, the principal users. In addition to particularly large falls in acrylic sheets and ABS resins, there were unavoidable sales decreases in all resin businesses, including monomers, MBS resins, and coating materials. Export conditions were difficult, as exemplified by a large fall in the price of acrylic monomer, with falling export demand due to the Asian economic crises being a prime factor. However, thanks to growth in sales of coating materials and the low yen, we were able to post higher export sales.

Despite this, overall interim sales of resins and plastics fell by 8.8% from the corresponding period in the previous term.

Specialty Products

With operations at the new production facilities getting off to a good start, we aggressively pushed forward with expanding and strengthening our carbon fiber and composite materials businesses, and as a result were able to achieve increased sales. In information materials, which include plastic optical fibers, sales were steady in export markets and for facsimile and scanner applications, and higher sales were recorded in the specialty membrane related business thanks to the addition of new applications.

Nevertheless, with difficult market conditions for image display products and printed circuit boards, interim sales of specialty products decreased 0.6% from the corresponding period of the previous term.

Outlook

After our merger with Nitto Chemical Industry Co., Ltd. on October 1, 1998, we



made a new start as the "reborn" Mitsubishi Rayon. We wish to thank all our shareholders for their support in making this merger possible.

We will build an integrated structure for the acrylic-related business that combines the accumulated power of the two companies, and in the field of high-performance chemicals, including biotechnology and fine chemicals, we will make effective use of management resources, such as technology, know-how, and personnel. Through these efforts, while further strengthening areas where we excel and pursuing increased distinctiveness, we will work to create new growth opportunities and expand the scope of our business.

All the employees and management of the Company will join forces in an entrepreneurial spirit, and make the utmost efforts to further strengthen competitiveness and growth potential in order to triumph in this era of global mega-competition, and to establish Mitsubishi Rayon as a company with a strong presence in the 21st century. We ask for the increased support and encouragement of all our shareholders.

Eiichi Taguchi
President

December 1998

NON-CONSOLIDATED BALANCE SHEETS

Mitsubishi Rayon Company, Limited September 30, 1998 and 1997

ASSETS	Millions of yen	
	1998	1997
Current Assets:		
Cash	¥ 7,073	¥ 16,314
Marketable securities	28,352	20,584
Trade receivables:		
Notes	7,629	10,994
Accounts	54,709	58,030
	62,338	69,024
Less allowance for doubtful receivables	(373)	(458)
	61,965	68,566
Inventories	30,396	30,587
Other current assets	11,433	13,803
Total current assets	139,221	149,856
Property, Plant and Equipment	385,414	372,270
Less accumulated depreciation	(283,254)	(275,225)
Property, plant and equipment—net	102,159	97,044
Investments and Other Assets:		
Investments in securities	72,303	71,344
Other assets	8,121	7,059
Total investments and other assets	80,424	78,404
Total	¥321,805	¥325,305

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen	
	1998	1997
Current Liabilities:		
Short-term bank loans	¥ 58,010	¥ 52,592
Current portion of long-term debt	28,369	—
Trade payables:		
Notes	3,564	3,974
Accounts	27,567	33,724
	31,131	37,699
Accrued income taxes	3,145	4,256
Other current liabilities	24,889	30,094
Total current liabilities	145,545	124,642
Long-Term Liabilities:		
Long-term debt	32,604	58,325
Retirement allowances	7,689	7,505
Provision for loss on guarantees	—	1,950
Other long-term liabilities	1,293	1,270
Total long-term liabilities	41,586	69,050
Shareholders' Equity:		
Common stock, par value ¥50 per share:		
Authorized—1,200,000,000 shares		
Issued and outstanding:		
1998—627,422,658 shares	51,926	—
1997—627,422,658 shares	—	51,926
Capital surplus	41,484	41,484
Legal reserve	7,435	7,052
Retained earnings	33,828	31,149
Total shareholders' equity	134,673	131,612
Total	¥321,805	¥325,305

NON-CONSOLIDATED FINANCIAL STATEMENTS OF INCOME

Mitsubishi Rayon Company, Limited Six months ended September 30, 1998 and 1997

	Millions of yen	
	1998	1997
Net Sales	¥114,572	¥127,040
Cost of Sales	85,067	95,014
Gross profit.....	29,504	32,026
Selling, General and Administrative Expenses	19,859	20,471
Operating income	9,644	11,554
Other Income (Expenses):		
Interest and dividend income	1,089	1,098
Interest expense	(1,122)	(1,141)
Other—net	(2,737)	(2,684)
	(2,770)	(2,727)
Income before income taxes	6,873	8,826
Income Taxes	3,082	4,319
Net income	¥ 3,791	¥ 4,507

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

- Fractional sums of less than ¥1 million have been omitted.
- Guarantee obligations:
 - As of September 30, 1998: ¥20,442 million
 - As of September 30, 1997: ¥8,850 million

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Mitsubishi Rayon Company, Limited and its Consolidated Subsidiaries Six months ended September 30, 1998

	Millions of yen
	1998
Net Sales	¥159,434
Cost of Sales	115,726
Gross profit	43,708
Selling, General and Administrative Expenses	30,950
Operating income	12,757
Other Income (Expenses):	
Interest and dividend income	534
Interest expense	(1,501)
Other, net	(2,836)
	(3,803)
Income before income taxes and minority interests	8,954
Income Taxes	4,115
Income before minority interests	4,838
Minority Interest	(228)
Net Income	¥ 4,610
Retained Earnings at Beginning of the Year	¥ 37,619
Transfer from legal reserve	7,241
Cash dividends paid	(1,882)
Bonuses to directors	(71)
Net income	4,610
Retained Earnings at End of the Year	¥ 47,517

CONSOLIDATED BALANCE SHEET

Mitsubishi Rayon Company, Limited and its Consolidated Subsidiaries September 30, 1998

	Millions of yen
ASSETS	1998
Current Assets:	
Cash	¥ 13,888
Marketable securities	31,932
Notes and accounts receivable	91,609
Less allowance for doubtful receivables	(785)
	<u>90,823</u>
Inventories	47,587
Other current assets	13,873
Total current assets	<u>198,106</u>
Property, Plant and Equipment	459,338
Less accumulated depreciation	(325,309)
Property, plant and equipment—net	<u>134,029</u>
Investments and Other Assets:	
Investments in securities	59,482
Other assets	12,987
Total investments and other assets	<u>72,469</u>
Translation Adjustments	3,368
Total	<u>¥407,973</u>

LIABILITIES AND SHAREHOLDERS' EQUITY		Millions of yen
		1998
Current Liabilities:		
Short-term bank loans		¥ 85,651
Current portion of long-term debt		28,369
Notes and accounts payable		48,162
Accrued income taxes		3,902
Other current liabilities		32,536
Total current liabilities		<u>198,621</u>
Long-Term Liabilities:		
Long-term debt		42,303
Retirement allowances		10,451
Other long-term liabilities		3,807
Total long-term liabilities		<u>56,562</u>
Minority Interests in Consolidated Subsidiaries		<u>11,783</u>
Shareholders' Equity:		
Common stock, par value ¥50 per share:		
Authorized—1,200,000,000 shares		
Issued—627,422,658 shares		51,926
Capital surplus		41,563
Retained earnings		47,517
Less treasury common stock, at cost		(1)
Total shareholders' equity		<u>141,005</u>
Contingent Liabilities		
Total		<u>¥407,973</u>

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS

Fractional sums of less than ¥1 million have been omitted.

SUBSIDIARIES AND AFFILIATES

Principal Domestic Subsidiaries (Consolidated)

As of September 30, 1998

Company	Issued share capital (Millions of yen)	Principal activities
Nitto Chemical Industry Co., Ltd.*	8,713	Production and sales of chemicals
Mitsubishi Rayon Engineering Co., Ltd.	2,000	Engineering, real estate and insurance
Mitsubishi Burlington Co., Ltd.	800	Production and sales of carpets, interior decoration
Ryoko Electronics Industries Ltd.	408	Production and sales of printed circuit boards
Diafloc Co., Ltd.	325	Production and sales of high molecular weight flocculants and industrial cleaners
Nitto Sekko Board Co., Ltd.	200	Production and sales of construction materials
MRC Koda Co., Ltd.	150	Processing of plastics products, membranes and medical products
Nitto FRP Techno Co., Ltd.	100	Production and sales of FRP products
Ryoko Co., Ltd.	100	Sales of MMA-related products
Dia Sports Development Co., Ltd.	100	Construction of sports facilities
MRC Tex Co., Ltd.	99	Production and sales of spun yarn
Diatec Co., Ltd.	95	Production and sales of dial plates
Tosen Co., Ltd.	60	Dyeing, processing and sales of textile products
MRC Information Systems Co., Ltd.	50	Information systems
MRC Composite Products Co., Ltd.	50	Production and sales of carbon fiber composites
Ryoko Sizing Co., Ltd.	50	Sizing of acetate
Acrymirror Co., Ltd.	40	Sales of acrylic resin mirrors
Costem Yoshida Co., Ltd.	40	Sales of dry ice and cryogenic equipment, etc.
Dia Suntex Co., Ltd.	36	Sales of textile products
MRC Finance Co., Ltd.	30	Finance
Nitto Institute of Chemical Research Co., Ltd.	30	Production and sales of perfumes, functional monomers and catalysts
MRS Co., Ltd.	10	Contract work in Otake Production Center
Horyo Co., Ltd.	10	Contract work in Toyohashi Production Center
Hokuriku Ryoko Sangyo Co., Ltd.	10	Contract work in Toyama Production Center

Principal Overseas Subsidiaries (Consolidated)

Company	Issued share capital (Millions)	Principal activities
P.T. Vonex Indonesia	IDR 8,366	Production and sales of acrylic yarn
Qingdao Lingtong Textile Co., Ltd.	CNY 42.9	Production and sales of acrylic yarn
Dianal America, Inc.	US\$ 15	Production and sales of coating resins
Mirwec Film, Inc.	US\$ 2.7	Production and sales of polypropylene film
Newport Adhesives and Composites, Inc.	US\$ 2.1	Production and sales of adhesives and composites
Grafil, Inc.	US\$ 1.2	Production and sales of carbon fibers
Mitsubishi Rayon America Inc.	US\$ 0.8	Sales and information services

Principal Domestic Affiliates

Company	Issued share capital (Millions of yen)	Principal activities
Du Pont-MRC Co., Ltd.	1,000	Production and sales of artificial marbles
Leilian Co., Ltd.	600	Sales of ready-made women's clothes
Kawagoe & Co., Ltd.	300	Wholesaler of textile products
Tomoe Chemical Industry Co., Ltd.	200	Production and sales of chemical fertilizers and agricultural materials

Principal Overseas Affiliates

Company	Issued share capital (Millions)	Principal activities
Metablen Company B.V.	NLG 81	Production and sales of polyvinylchloride modifiers
Metco North America, Inc.	US\$36.8	Production and sales of polyvinylchloride modifiers

*Nitto Chemical Industry Co., Ltd. was merged with the Company on October 1, 1998.

BOARD OF DIRECTORS AND CORPORATE AUDITORS

(As of October 1, 1998)

President

Eiichi Taguchi

Executive Vice President

Tadashi Kataoka

Senior Managing Directors

Tsunehiro Kawai

Shigeki Yamaguchi

Takashi Masaki

Managing Directors

Hiroshi Sasawaki

Yoshiyuki Sumeragi

Hideaki Kawata

Tadafumi Okada

Eisuke Nakamura

Directors

Yahide Kotake

Isao Yamamoto

Koji Mimura

Toshio Koike

Tatsuo Suzuki

Kazuhiro Morifuji

Hideharu Abe

Masanao Kanbara

Tomonobu Kokubu

Isao Sasaki

Yoji Tanaka

Corporate Auditors

Yoshizo Shimizu

Yoshiaki Kobayashi

Masaaki Aoki

Yoshihiko Tanaka

CORPORATE DATA

(As of October 1, 1998)

Date of Establishment

August 31, 1933

Paid-in Capital

¥53,229 million

Authorized Shares

1,200,000,000 shares

Issued and Outstanding Shares

653,496,820 shares

Employees

4,545

Major Banks

The Bank of Tokyo-Mitsubishi, Ltd.

The Mitsubishi Trust and Banking Corporation

The Dai-Ichi Kangyo Bank, Limited

The Industrial Bank of Japan, Limited

Shareholders

(As of September 30, 1998)

96,449

(including those holding less than one unit)

Major Shareholders

(As of September 30, 1998)

The Mitsubishi Trust and Banking Corporation

The Meiji Mutual Life Insurance Company

The Sumitomo Trust & Banking Co., Limited

The Bank of Tokyo-Mitsubishi, Ltd.

Nippon Life Insurance Company

The Dai-Ichi Kangyo Bank, Limited

The Industrial Bank of Japan, Limited

The Long-Term Credit Bank of Japan, Limited

The Toyo Trust and Banking Co., Limited

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Nagoya Branch

Hokuriku Office

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Toyohashi Production Center

Toyama Production Center

Yokohama Production Center

Hachinohe Production Center

Corporate Research Laboratories

Products Development Laboratories

Chemicals Development Laboratories

Tokyo Technology & Information Center

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