



*Creating Opportunities
for Growth by Leveraging
Unique Specialties*

2001

Mitsubishi Rayon

Semi Annual Report
(April 2000~September 2000)

A Message from the President



Yoshiyuki Sumeragi
President

Creating opportunities for growth by leveraging unique specialties

In fiscal 1999, the Mitsubishi Rayon Group embarked on a three-year management plan aimed at transforming the organization into a specialty group exhibiting superior performance, originality, and good corporate citizenship across the whole spectrum of its business activities. We are now preparing to make this management vision reality. The business terms FY2000–2001 have been positioned as the period during which the foundations of long-term growth will be laid. To this end, we are concentrating management resources on the Group's areas of particular competence, pursuing a path of specialization that other companies will be unable to emulate.

Laying the cornerstones of growth

The Mitsubishi Rayon Group places top management priority on restructuring its business unit portfolio to achieve the optimal mix for growth potential. The Group's strategy is based on expanding the operations of its core business units — the MMA (methyl methacrylate) Business

Complex and the AN (acrylonitrile) Business Complex — on a global scale while strengthening product development ability. In addition, we have mapped out five new business domains with strong growth potential — the Aqua-Sustainability Business, the Information Materials Business, the Construction Materials Business, the Energy-Related Business, and the Life Science Business — and are proceeding to build up the scale of these businesses by identifying and meeting market needs. Growth in these business domains is expected to be principally powered by the water treatment business, utilizing hollow fiber membranes; the plastic optical fiber business (with MMA as the main raw material); and the pharmaceutical intermediates business employing biotechnology with hydrogencyanide (HCN) as the principal raw material. Another key component of the Life Sciences Business is “DNA chips” for diagnostic use, which can be mass-produced at low cost.

The Mitsubishi Rayon Group's pursuit of improved efficiency has yielded significant results. We have made steady progress in reducing production costs, raising labor productivity, selling off idle assets (the site of the former Kohda Factory), and lowering the burden of interest-bearing debt (down ¥8,071 million at the end of the six months to September 2000 compared with March 2000). From here on, we aim to take an uncompromising approach to fostering the development of a truly superior corporate group by attaining growth in parallel with improved efficiency.

Business performance for the interim term and full-term forecast

Consolidated net sales in the six months to September 2000 were up 3.3% over the corresponding period of the previous year, at ¥160,491 million, while operating income rose 16.3% year-on-year, to ¥10,847 million. However, as a result of posting an extraordinary loss in the amount of ¥19,770 million related to pension obligations, the

Company registered a net loss of ¥4,024 million. We once again paid an interim dividend of ¥3.0 per share. For the FY2000 full term, we forecast consolidated net sales of ¥333,000 million and net income of ¥2,000 million.

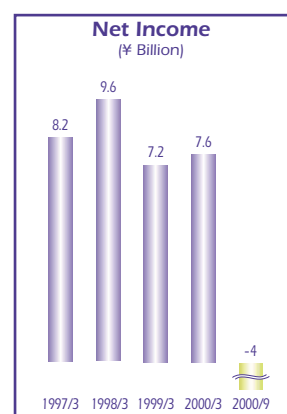
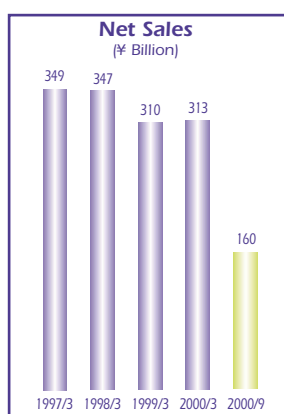
In spite of the existence of a number of causes for concern regarding the near-term outlook, including a slowdown in the East Asian economies and high crude oil prices, the Mitsubishi Rayon Group is confident of surviving in intensely competitive markets by constantly developing and marketing products that achieve a high level of customer satisfaction. The amortization of pension liabilities stemming from the adoption of the new accounting standards will unavoidably lead to a temporary decline in the Group's net income this term and next, but we are nonetheless making steady progress in building a solid basis for future growth, in fostering new growth fields, and in bolstering our business structure.

In closing, we would like to take this opportunity to thank all our shareholders,

customers, and other stakeholders for their ongoing support, and to assure them that we will continue our unflagging efforts to attain further growth in the years ahead.



Yoshiyuki Sumeragi
President



Organizational Segments and Business Complexes

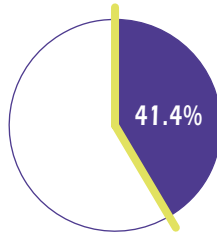
Organizational Segments					
	Chemicals and Plastics	Fibers	Specialty Products	Others	Sales
MMA Business Complex	<ul style="list-style-type: none"> •MMA monomer •Methacrylic acid •MMA derivatives •Acrylic resins •Polymethyl methacrylate products •Plastic modifiers •Acrylic films DFR •Artificial marble •Coating resins 		<ul style="list-style-type: none"> •Optical fibers •Rodlenses 	<ul style="list-style-type: none"> •Dome •Lighting covers •Water tanks •Mirrors 	¥ 44.1 billion
AN Business Complex	<ul style="list-style-type: none"> •Acrylamide •Flocculants •Hydrogencyanide derivatives 	<ul style="list-style-type: none"> •Acrylic fibers 	<ul style="list-style-type: none"> •Carbon fibers •Composite materials 		¥ 35.0 billion
Non-Acrylic Business Group	<ul style="list-style-type: none"> •ABS resins •Polyester resins •Methylamine, DMF •Carbon dioxide •Dry ice 	<ul style="list-style-type: none"> •Polyester fibers •Acetate fibers •Polypropylene fibers •Carpets •Interior decoration 	<ul style="list-style-type: none"> •Printed circuit boards •Water purifiers •Water treatment 	<ul style="list-style-type: none"> •Engineering & machinery systems 	¥ 81.4 billion
Sales	¥66.3 billion	¥51.7 billion	¥17.9 billion	¥24.6 billion	¥160.5 billion

MMA: Methyl methacrylate; AN: Acrylonitrile
Figures are for the six months ended September 2000.

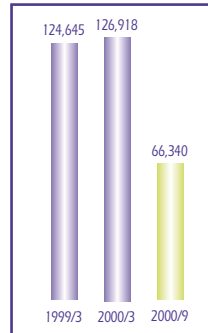
MRC Group at a Glance

Chemicals and Plastics

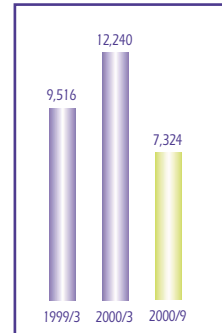
Share of Total Sales (%)



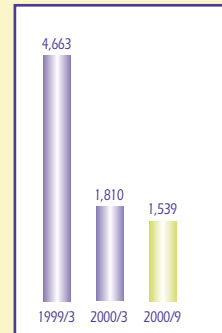
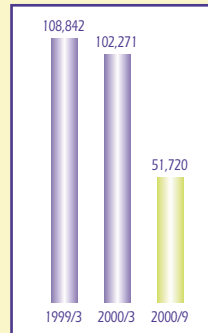
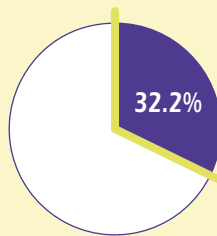
Net Sales (¥ Million)



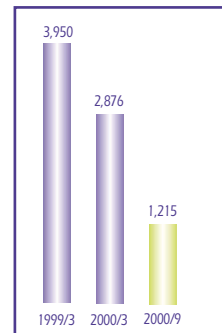
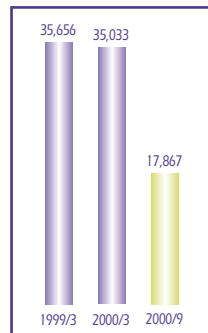
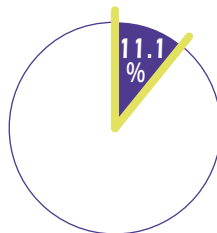
Operating Income (¥ Million)



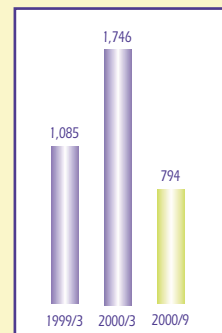
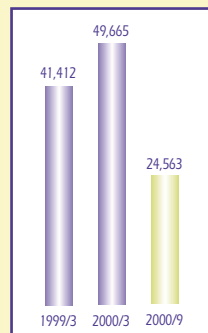
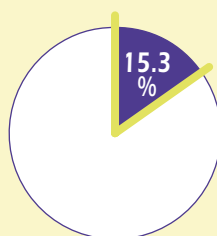
Fibers



Specialty Products



Others



The MMA (Methyl Methacrylate) Business Complex enjoyed an increase in sales volume in the half-term under review against the background of growing demand for transparent resins, led by the surging popularity since last year of transparent materials. The capacity utilization rate of MMA monomer production facilities remained at 100%.

During the half-term, Mitsubishi Rayon and Mitsubishi Chemical Corp. reached an agreement on the integration of their acrylonitrile, acrylamide, and high-polymer flocculants operations (including a subsidiary, Diafloc Co., Ltd.) with a view to strongly boosting competitiveness.

Among specialty resins, steady growth in unit sales was seen in acrylic sheets and films for cellular phones and LCD

monitors, and in molding materials for office-use and stationery products as well as for export to other East Asian countries.

In addition to demand for ABS and PBT molding resins for IT applications, sales volume also rose to the automotive industry and manufacturers of electronics products. In the field of acrylic coating resins, sales of ultraviolet-hardened paints held firm, and the Company is continuing to expand its business avenues in acrylic resins with sophisticated functions by such means as developing new applications for high-performance acrylic powder, an environmentally friendly material.

Although sales of acrylic staples on the Japanese market declined in the half-term under review due to intensified competition from imported products in the application fields of clothing, blankets, and interior goods, the Company succeeded in raising its market share through stepped-up cooperation with specialty store retailers of private brand apparel and increased marketing emphasis on unique materials. The Company maintained its export sales volume, particularly to its main overseas market China, but sales prices failed to offset substantial increases in raw material costs.

Business conditions were difficult in the fields of polyester and acetate filaments, particularly the former, but triacetate filaments performed comparatively well.

Polypropylene filaments, which are environmentally friendly, enjoyed growth in unit sales to manufacturers of tile carpets and car mats, where they benefited from the replacement of conventional materials. The Company's carpet manufacturing subsidiary Mitsubishi Burlington Co., Ltd. recorded flat sales volume, but suffered a decline in sales owing to a fall in prices.

The business environment for the Company's carbon fibers and composite materials operations was generally severe, but a steady expansion in the sphere of applications of the Company's products was seen in the industrial field.

Sales of plastic optical fibers posted growth to makers of semiconductor devices, and efforts were made to increase our market share in the sensor business. With the aim of laying the groundwork for future growth in the telecommunications field, Mitsubishi Rayon concluded a business tie-up with a device manufacturer. In addition to

expanding sales of rod lenses to facsimile manufacturers, the Company also introduced sophisticated new products for the scanner market, which is expected to post strong growth in the near future.

In home-use water purifiers, the Company added a new item to its product lineup that indicates when the filtration cartridge needs replacing, and this has proved very popular. Sales growth was enjoyed in various membrane modules, and the Company launched a new water-treatment membrane module on the market.

A subsidiary, Ryoko Co., Ltd. enjoyed a valuable contribution from new business lines, focusing on demand in the information technology field, despite continued difficulty in its mainline business of construction materials. As a result, business performance surpassed the previous year's level.

The plant engineering operations of Mitsubishi Rayon Engineering Co., Ltd. were roughly as expected, but performance in other operations fell short of expectations, and overall results were below the previous year's level.

Consolidated Balance Sheets

As of September 30, 2000 and March 31, 2000

	Millions of yen		Thousands of U.S. dollars
	September 30 2000	March 31 2000	September 30 2000
Assets			
Current Assets:			
Cash and time deposits	¥ 7,082	¥ 9,942	\$ 65,574
Marketable securities	548	6,094	5,074
Notes and accounts receivable:			
Notes	19,094	18,305	176,796
Accounts	73,136	66,544	677,185
Less allowance for doubtful receivables	(677)	(679)	(6,269)
	91,553	84,171	847,713
Inventories	42,077	41,077	389,602
Deferred tax assets	4,559	2,034	42,213
Other current assets	11,739	8,130	108,694
Total current assets	157,561	151,450	1,458,898
Property, Plant and Equipment:	473,030	472,850	4,379,907
Less accumulated depreciation	(345,894)	(342,824)	(3,202,722)
Property, plant and equipment, net	127,136	130,025	1,177,185
Investments and Other Assets:			
Investments in securities	53,724	56,331	497,444
Deferred tax assets	2,564	1,845	23,741
Other assets	12,004	12,292	111,148
Total investments and other assets	68,313	70,469	632,528
Translation Adjustments	—	6,605	—
Total assets	¥353,011	¥358,551	\$3,268,620

US dollars are calculated at the exchange rate of ¥108 per dollar.

	Millions of yen		Thousands of U.S. dollars
	September 30 2000	March 31 2000	September 30 2000
Liabilities, Minority Interests and Shareholders' Equity			
Current Liabilities:			
Short-term bank loans	¥ 62,179	¥ 68,681	\$ 575,731
Notes and accounts payable:			
Notes	12,731	11,671	117,880
Accounts	44,651	38,900	413,435
	57,382	50,571	531,315
Accrued income taxes	382	1,588	3,537
Deferred tax liabilities	35	—	324
Other current liabilities	29,439	25,321	272,583
Total current liabilities	149,419	146,162	1,383,509
Long-term Liabilities:			
Long-term debt	43,468	45,116	402,481
Retirement allowances	16,316	11,086	151,074
Deferred tax liabilities	454	—	4,204
Other long-term liabilities	4,337	3,956	40,157
Total long-term liabilities	64,577	60,159	597,935
Minority Interests in Consolidated Subsidiaries	2,057	3,281	19,046
Shareholders' Equity:			
Common stock, ¥50 par value:			
Authorized — 1,173,014,000 shares			
Issued:			
Sept. 30, 2000 — 626,510,820 shares	53,229	—	492,861
March 31, 2000 — 626,510,820 shares	—	53,229	—
Capital surplus	38,088	38,088	352,667
Retained earnings	51,083	57,630	472,991
Unrealized gain on marketable securities	585	—	5,417
Translation adjustments	(6,028)	—	(55,815)
Less treasury common stock, at cost	(1)	(1)	(9)
Total shareholders' equity	136,957	148,947	1,268,120
Contingent Liabilities			
Total liabilities and stockholders' equity	¥136,957	¥358,551	\$1,268,120

Consolidated Statements of Income and Retained Earnings

Six months ended September 30, 2000 and Year ended March 31, 2000

	Millions of yen		Thousands of U.S. dollars
	September 30 2000	March 31 2000	September 30 2000
Net Sales	¥160,491	¥313,888	\$1,486,028
Cost of Sales	120,459	235,869	1,115,361
Gross profit	40,032	78,019	370,667
Selling, General and Administrative Expenses	29,184	59,028	270,222
Operating income	10,847	18,990	100,435
Other Income (Expenses):			
Interest and dividend income	302	694	2,796
Interest expense	(1,220)	(2,773)	(11,296)
Equity in earnings of affiliated companies	895	765	8,287
Other – net	(17,615)	(2,391)	(163,102)
	(17,637)	(8,487)	(163,306)
Income (loss) before income taxes and minority interests	(6,789)	10,502	(62,861)
Income Taxes	(2,814)	4,552	(26,056)
Income (loss) before minority interests	(3,975)	7,935	(36,806)
Minority Interests	(49)	(247)	(454)
Net income (loss)	¥ (4,024)	¥ 7,687	\$ (37,259)
Retained Earnings at Beginning of the Year	¥ 57,630	¥ 51,267	\$ 533,611
Adjustments for inclusion in or exclusion			
from consolidation of subsidiaries and affiliates	(611)	609	(5,657)
Cumulative effect of adopting deferred tax accounting	—	1,933	—
Adjustments for merger of unconsolidated subsidiaries	—	8	—
Cash dividends paid	(1,879)	(3,834)	(17,398)
Bonuses to directors	(30)	(40)	(278)
Net income	(4,024)	4573	(37,259)
Retained Earnings at End of the Year	¥ 51,083	¥ 57,630	\$ 472,991

Consolidated Statements of Cash Flows

Six months ended September 30, 2000 and Year ended March 31, 2000

	Millions of yen		Thousands of U.S. dollars
	September 30 2000	March 31 2000	September 30 2000
Operating Activities:			
Income before income taxes and minority interests	¥(6,769)	¥10,502	\$(62,861)
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	8,136	18,139	75,333
Retirement cost	13,763	—	127,435
Interest cost	1,220	2,773	11,296
Decrease (increase) in trade receivables	(6,937)	5,654	(64,231)
Decrease (increase) in inventories	(1,135)	8,397	(10,509)
Increase (decrease) in trade payables	6,903	(837)	63,917
Bonuses to directors	(32)	(42)	(296)
Other – net	(800)	(9,249)	(7,407)
Net cash provided by operating activities	14,328	35,338	132,667
Investing Activities:			
Proceeds from sale of marketable securities	—	3,737	—
Payments by acquisition of property, plant and equipment	(5,347)	(15,848)	(49,509)
Proceeds from sale of investment securities	—	3,073	—
Other – net	(1,044)	(512)	(9,667)
Net cash used in investing activities	(6,391)	(9,549)	(59,176)
Financing Activities:			
Proceeds from long-term loans	1,687	2,200	15,620
Decrease in short-term bank loans	(6,647)	(13,840)	(61,546)
Repayment of long-term loans	(3,048)	(10,491)	(28,222)
Retirement of common stock	—	(4,732)	—
Cash dividends paid	(1,879)	(3,978)	(17,388)
Other – net	(178)	(381)	(1,648)
Net cash used in financing activities	(10,066)	(31,224)	(93,204)
Effect of exchange rate changes on cash and cash equivalents	(16)	(65)	(146)
Net decrease in cash and cash equivalents	(2,146)	(5,501)	(19,870)
Beginning balance of cash and cash equivalents	9,110	14,621	84,352
Cash and cash equivalents at end of year	¥6,963	¥ 9,120	\$64,472
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the year for:			
Interest	¥1,221	¥ 2,834	\$11,306
Income taxes	2,205	4,559	20,417

Subsidiaries and Affiliates

Domestic Subsidiaries (Consolidated)

Company	Issued share capital (Millions of yen)	Principal activities
Chemicals and Plastics		
Costem Yoshida Co., Ltd.	40	Sale of dry ice and cryogenic equipment, etc.
Diafloc Co., Ltd.	325	Production and sale of high molecule weight flocculants and industrial cleaners
Diatec Co., Ltd.	95	Production and sale of indication panels
Toei Kasei Co., Ltd.	18	Production and sale of coating and reagents
Fibers		
Dia Textile Inc.	36	Wholesaling of fabrics
Mitsubishi Burlington Co., Ltd.	800	Production and sale of carpets and interior decoration
MRC Tex Co., Ltd.	99	Production and sale of spun yarn
Ryoko Sizing Co., Ltd.	50	Sizing of acetate
Tosen Co., Ltd.	60	Dyeing, processing and sale of textile products
Specialty Products		
MRC Composite Products Co., Ltd.	50	Production and sale of carbon fiber composites
MRC Koda Co., Ltd.	150	Processing of plastic products, membranes and medical products
Ryoko Electronics Industries, Ltd.	408	Production and sale of printed circuit boards
Others		
Mitsubishi Rayon Engineering Co., Ltd.	1,200	Engineering, real estate and insurance
MRC Finance Co., Ltd.	30	Finance
MRC Information Systems Co., Ltd.	50	Information systems
MRC Polysaccharide Co., Ltd.	50	Processing and sale of polysaccharide
Nitto Gypsum Board Co., Ltd.	200	Production and sale of construction materials
Ryoko Co., Ltd.	100	Sale of MMA-related products, construction of sports facilities

Overseas Subsidiaries (Consolidated)

Company	Issued share capital (Millions)	Principal activities
Chemicals and Plastics		
Dianal America, Inc.	USD 15.0	Production and sale of coating resins
Diapolyacrylate Co., Ltd.	THB 358	Production and sale of plastics and molding materials
Fibers		
P.T. Vonex Indonesia	IDR 9,818	Production and sale of acrylic yarn
Qingdao Lingtong Textile Co., Ltd.	USD 5.0	Production and sale of acrylic yarn
Specialty Products		
Grafil, Inc.	USD 1.2	Production and sale of carbon fibers
Newport Adhesives and Composites, Inc.	USD 2.1	Production and sale of adhesives and composites
Others		
Mitsubishi Rayon America Inc.	USD 0.8	Sale and information services
MRC Holdings (America), Inc.	USD 0.0	Holding company
MRC Hong Kong Co., Ltd.	HKD 1	Sale and information services

19 other domestic and overseas subsidiaries

Domestic Affiliates (Accounted for by the Equity Method)

Company	Issued share capital (Millions of yen)	Principal activities
Chemicals and Plastics		
Du Pont MRC Dry Film Ltd.	100	Production and sale of dry film photoresist
Du Pont-MRC Co., Ltd.	1,000	Production and sale of artificial marble

Overseas Affiliates (Accounted for by the Equity Method)

Company	Issued share capital (Millions)	Principal activities
Chemicals and Plastics		
Metablen Company B.V.	NLG 81	Production and sale of plastic modifiers
Metco North America Inc.	USD 36.8	Production and sale of plastic modifiers
Thai MMA Co., Ltd.	THB 1,300	Production and sale of MMA monomer

24 other domestic and overseas affiliates

Corporate Directory

Board of Directors and Corporate Auditors

Chairman

Eiichi Taguchi

President

Yoshiyuki Sumeragi

Senior Managing Directors

Koji Mimura

Isao Yamamoto

Managing Directors

Hideaki Kawata

Masanao Kanbara

Isao Sasaki

Directors

Tsunehiro Kawai

Shigeki Yamaguchi

Tomonobu Kokubu

Yoji Tanaka

Yuzo Aoyama

Toru Ii

Katsuyoshi Fukuroya

Corporate Auditors

Yoshizo Shimizu

Yoshiaki Kobayashi

Masaaki Aoki

Takashi Masaki

Corporate Data

Date of Establishment

August 31, 1933

Paid-in Capital

¥53,229 million

Authorized Shares

1,173,014,000 shares

Issued and Outstanding Shares

626,510,820 shares

Employees

4,264 (Parent)

9,886 (Group)

Main Banks

The Bank of Tokyo-Mitsubishi, Ltd.

The Mitsubishi Trust and Banking Corp.

The Dai-Ichi Kangyo Bank, Ltd.

The Norinchukin Bank

The Industrial Bank of Japan, Ltd.

Shareholders

103,987

(including those holding less than one unit)

Major Shareholders

The Bank of Tokyo-Mitsubishi, Ltd.

Meiji Life Insurance Company

The Sumitomo Trust & Banking Co., Ltd., Trust Account

The Mitsubishi Trust and Banking Corp.

Nippon Life Insurance Company

The Mitsubishi Trust and Banking Corp., Trust Account

The Toyo Trust and Banking Co., Ltd., Trust Account "A"

The Daiwa Bank, Ltd., Trust Account "G"

The Dai-Ichi Kangyo Fuji Trust & Banking Co., Ltd., * Trust Account "A"
Mitsubishi Heavy Industries, Ltd.

*Effective October 1, 2000 the name was changed to Mizuho Trust & Banking Co., Ltd.

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Fax: (06) 6881-6337

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Hokuriku Office

Otake Production Center

Toyohashi Production Center

Toyama Production Center

Yokohama Production Center

Hachinohe Factory

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Products Development Laboratories

Chemicals Development Laboratories

Polyester Development Laboratories

Tokyo Technology & Information Center

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