



*Creating Opportunities
for Growth
by Leveraging Unique Specialties*

MITSUBISHI RAYON
SEMIANNUAL REPORT 2000
(APRIL 1999 ~ SEPTEMBER 1999)

A MESSAGE FROM THE PRESIDENT

In April 1999, we began a three-year management plan called “US→2I,” a drive to become a “unique specialty” business group in the 21st century. The plan emphasizes and mobilizes Mitsubishi Rayon’s three core strengths: acrylic and basic materials; functional specialty materials, primarily those with an acrylic base; and downstream activities that draw on our skills in these materials. By focusing on these fields, we aim to increase consolidated sales to ¥350 billion in fiscal year ending March 31, 2002.

“US→2I” IN ACTION DURING THE YEAR’S FIRST HALF

In our core business of acrylic materials, we completed a reorganization that will allow us to reap the benefits of our October 1998 merger with Nitto Chemical Industry Co., Ltd. The objective of this merger was to bolster our presence in raw materials, thus giving us a higher degree of vertical integration. To maximize the advantages, we combined the former chemicals division of Nitto Chemical and our resins and plastics division into a single organization in June 1999. Internal host computer systems were integrated at the same time.

Regarding overseas operations, construction of a factory at Thai MMA Co., Ltd. in Thailand to produce MMA (methyl methacrylate) monomer was completed on schedule in February 1999. Full capacity commercial operation started in April. In China, the new BMA (butyl methacrylate) monomer plant of Suzhou Sanyouli Chemicals Co., Ltd. has been operating as planned since coming on stream in January 1999. Both plants offer higher output capacity, lower average production costs and better protection against foreign exchange movements. In addition, they are critical elements in our strategy to

be Asia’s unchallenged leader in acrylic materials.

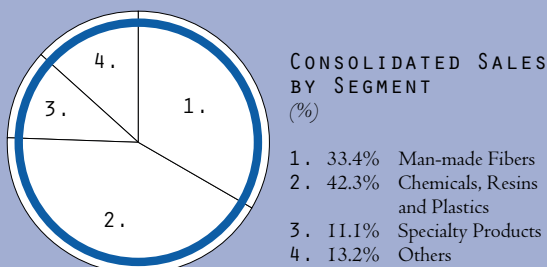
Another highlight of the period was higher sales, despite a Japanese economy that remains lackluster, of products that take advantage of our unique strengths. For example, acrylic resins attracted an increase in orders from makers of bathtubs and light conductors for computer LCDs. Plastic optical fiber benefited from rising demand from European auto makers for LANs. Achievements like these demonstrate our ability to capture a greater share of growing markets.

In polyester filaments, where we have a relatively low profile, we took steps to return operations to profitability. The primary means is downsizing, including a one-third capacity cut at our Toyohashi Production Center, where annual output was 30,000 tons.

OPERATING ENVIRONMENT AND RESULTS

During the fiscal year’s first half, Mitsubishi Rayon faced extremely difficult markets as Japan’s economy remained soft, the yen rapidly appreciated and China restricted imports of acrylic fibers. In response, we implemented the actions outlined above in line with our “US→2I” plan. We were thus able to limit the decline in sales to

» TOPICS



OTAKE PRODUCTION CENTER EARNS ISO 14001 CERTIFICATION

ISO 14001 certification was obtained by Otake, Mitsubishi Rayon’s largest manufacturing plant. Reflecting this drive, Mitsubishi Rayon has effected a broad range of waste reduction and recycling measures that target each stage of the production process.

As part of its waste reduction program, Otake now operates a fluidized bed incinerator with a capacity of approximately 14,000 tons per year.

2.6%, resulting in consolidated net sales of ¥155.2 billion. Lower prices due to weak markets and the yen's strength caused income before income taxes to fall 20.5% to ¥7.1 billion and brought down net income by 0.8% to ¥4.5 billion. The interim dividend per share was unchanged at ¥3.

OUTLOOK FOR THE REMAINDER OF THE YEAR

Some encouraging trends point to improvements in market conditions. Demand in Asia is rebounding and many competitors are reducing their output as cotton inventories in China fall. We are also seeing better supply-demand dynamics in the global market for acrylic fibers. Our "US→21" plan provides a blueprint for molding a company that is consistently profitable and competitive regardless of adverse market forces and exchange rates. To fulfill these goals, Mitsubishi Rayon will remain focused on implementing the five central tenets of "US→21": concentrating on strategic businesses; increasing returns on assets; improving group management practices; raising the value added by human input to boost productivity; and expanding our investor relations programs. We are convinced that this stance is the best way to make the Mitsubishi Rayon Group an even more profitable and competitive global enterprise.



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Eiichi Taguchi
President

December 1999

MITSUBISHI RAYON BEGINS TO REPURCHASE STOCK

At its August 9, 1999 meeting, the Board of Directors approved a resolution to repurchase 12.8 million shares of company stock. Thus far, 4 million shares have been repurchased under this authorization. The company will continue to place priority on maximizing cash flows to return profits to shareholders.



PLASTIC OPTICAL FIBER DEVELOPED FOR HOME MULTIMEDIA NETWORKS
Mitsubishi Rayon, with more than 70% of the global plastic optical fiber market, announced that test sales of "Eska-Miu™" will start in the fiscal year ending March 31, 2000. This revolutionary cable conforms to the IEEE-1394 S400 (400Mbps) high-speed serial bus standard for connecting PCs and digital AV devices. Demand for "Eska-Miu™" will likely burgeon as home digital networks become widespread.

NON-CONSOLIDATED BALANCE SHEETS

Mitsubishi Rayon Company, Limited September 30, 1999 and March 31, 1999

ASSETS	Millions of yen		Thousands of U.S. dollars
	September, 30 1999	March, 31 1999	September, 30 1999
Current Assets:			
Cash and time deposits	¥ 7,848	¥ 10,067	\$ 73,380
Marketable securities	6,839	8,352	63,946
Trade receivables:			
Subsidiaries and affiliates	7,489	8,398	70,023
Notes	6,892	7,034	64,441
Accounts	47,998	49,479	448,789
	62,380	64,912	583,263
Less allowance for doubtful receivables	(294)	(339)	(2,749)
	62,086	64,573	580,514
Inventories:			
Finished goods	22,475	24,726	210,145
Work in process	2,498	2,710	23,357
Raw materials and supplies	4,924	4,750	46,040
	29,898	32,186	279,551
Other current assets	8,901	9,188	83,226
Total current assets	115,573	124,369	1,080,626
Property, Plant and Equipment	435,970	433,851	4,076,391
Less accumulated depreciation	(320,263)	(316,417)	(2,994,511)
Property, plant and equipment—net	115,707	117,433	1,081,879
Investments and Other Assets:			
Investments in and advances to subsidiaries and affiliates . .	35,259	34,936	329,677
Investments in securities	38,741	38,263	362,235
Other assets	3,106	2,868	29,042
Total investments and other assets	77,106	76,068	720,954
Total	¥ 308,387	¥ 317,871	\$ 2,883,469

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars
	September, 30 1999	March, 31 1999	September, 30 1999
Current Liabilities:			
Short-term bank loans.....	¥ 51,135	¥ 53,835	\$ 478,121
Current portion of long-term debt	5,601	9,647	52,370
Trade payables:			
Subsidiaries and affiliates	5,453	5,184	50,986
Notes	3,040	3,139	28,424
Accounts	23,695	23,372	221,552
	32,189	31,697	300,972
Other accounts payable — subsidiaries	5,094	5,200	47,630
Accrued expenses	3,279	3,683	30,659
Accrued income taxes	1,847	1,197	17,270
Other current liabilities	16,527	17,573	154,530
Total current liabilities	115,674	122,835	1,081,571
Long-Term Liabilities:			
Long-term debt	42,781	44,275	400,009
Retirement allowances	8,620	8,822	80,598
Repair allowances	254	115	2,375
Other long-term liabilities	1,359	1,347	12,707
Total long-term liabilities	53,015	54,560	495,699
Shareholders' Equity:			
Common stock, par value ¥50 per share:			
Authorized—I,181,814,000 shares			
Issued and outstanding:			
Sept. 30, 1999—635,310,820 shares.....	53,229	—	497,700
March 31, 1999—642,993,820 shares	—	53,229	—
Capital surplus	40,285	42,741	376,671
Legal reserve	8,229	8,032	76,942
Retained earnings	37,952	36,472	354,857
Total shareholders' equity	139,697	140,475	1,306,190
Total	¥308,387	¥317,871	\$2,883,469

NON-CONSOLIDATED FINANCIAL STATEMENTS OF INCOME

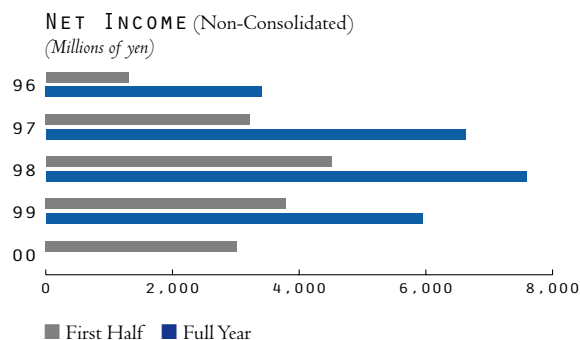
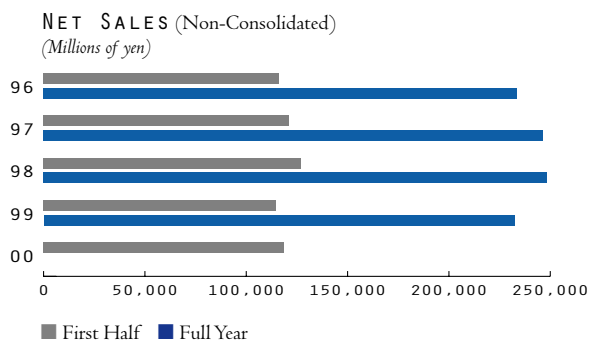
Mitsubishi Rayon Company, Limited Six months ended September 30, 1999 and 1998

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Net Sales	¥118,726	¥114,572	\$1,110,108
Cost of Sales	89,068	85,067	832,800
Gross profit	29,658	29,504	277,307
Selling, General and Administrative Expenses	22,436	19,859	209,780
Operating income	7,221	9,644	67,518
Other Income (Expenses):			
Interest and dividend income	1,048	1,089	9,799
Interest expense	(1,129)	(1,122)	(10,556)
Other—net	(2,109)	(2,737)	(19,719)
	(2,191)	(2,770)	(20,486)
Income before income taxes	5,030	6,873	47,031
Income Taxes	2,010	3,082	18,794
Net income	¥ 3,020	¥ 3,791	\$ 28,237
		Yen	U.S. dollars
Amounts per share:			
Net income	¥4.72	¥6.04	\$0.044
Cash dividends	3.00	3.00	0.028

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

1. Fractional sums of less than ¥1 million have been omitted.
2. Guarantee obligations:
 - As of September 30, 1999: ¥24,502 million
 - As of September 30, 1998: ¥20,442 million

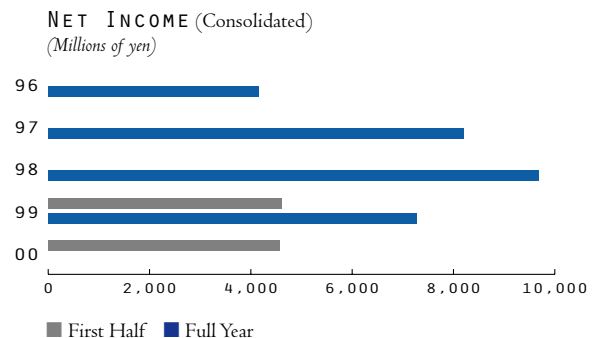
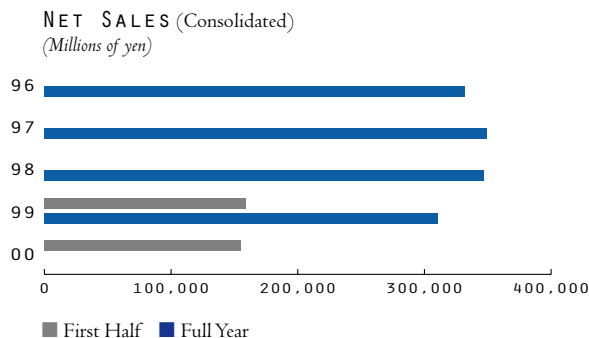


Note: Figures for 2000 are for the six months ended September 30, 1999.
 Figures for 1996-1999 are for the years ended March 31, 1996, 1997, 1998 and 1999.

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS
Mitsubishi Rayon Company, Limited and its Consolidated Subsidiaries Six months ended September 30, 1999 and 1998

	Millions of yen		Thousands of U.S. dollars
	1999	1998	1999
Net Sales	¥155,295	¥159,434	\$1,452,034
Cost of Sales	116,519	115,726	1,089,472
Gross profit	38,776	43,708	362,562
Selling, General and Administrative Expenses	29,453	30,950	275,390
Operating income	9,322	12,757	87,162
Other Income (Expenses):			
Interest and dividend income	314	534	2,936
Interest expense	(1,515)	(1,501)	(14,165)
Other—net	(1,005)	(2,836)	(9,397)
	(2,205)	(3,803)	(20,617)
Income before income taxes and minority interests . . .	7,117	8,954	66,545
Income Taxes	2,388	4,115	22,328
Income before minority interests	4,728	4,838	44,208
Minority Interests	(154)	(228)	(1,440)
Net Income	¥ 4,573	¥ 4,610	\$ 42,758
Retained Earnings at Beginning of the Year	¥ 51,267	¥ 37,619	\$ 479,355
Adjustments for inclusion in or exclusion			
from consolidation of subsidiaries and affiliates	423	—	3,955
Effect of change in accounting for income taxes	1,730	—	16,176
Adjustments for merger of unconsolidated subsidiaries . .	8	—	75
Transfer from legal reserve	—	7,241	—
Cash dividends paid	(1,928)	(1,882)	(18,027)
Bonuses to directors	(40)	(71)	(374)
Net income	4,573	4,610	42,758
Retained Earnings at End of the Year	¥ 56,033	¥ 47,517	\$ 523,918

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Note: Figures for 2000 are for the six months ended September 30, 1999.
Figures for 1996-1999 are for the years ended March 31, 1996, 1997, 1998 and 1999.

CONSOLIDATED BALANCE SHEETS*Mitsubishi Rayon Company, Limited and its Consolidated Subsidiaries September 30, 1999 and March 31, 1999*

ASSETS	Millions of yen		Thousands of U.S. dollars
	September, 30 1999	March, 31 1999	September, 30 1999
Current Assets:			
Cash and time deposits	¥ 13,903	¥ 14,386	\$ 129,995
Marketable securities	9,443	9,160	88,294
Notes and accounts receivable	86,169	87,095	805,694
Notes	18,271	17,529	170,837
Accounts	67,898	69,565	634,857
Less allowance for doubtful receivables	(727)	(785)	(6,798)
	85,442	86,309	798,897
Inventories	45,128	48,177	421,954
Other current assets	8,830	11,425	82,562
Total current assets	162,748	169,459	1,521,720
Property, Plant and Equipment	473,190	491,961	4,424,404
Less accumulated depreciation	(340,644)	(359,277)	(3,185,077)
Property, plant and equipment—net	132,546	132,684	1,239,327
Investments and Other Assets:			
Investments in securities	58,628	42,866	548,181
Other assets	12,209	11,274	114,156
Total investments and other assets	70,837	72,386	662,338
Translation Adjustments	4,484	4,459	41,926
Total	¥ 370,616	¥ 378,990	\$ 3,465,320

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars
	September, 30 1999	March, 31 1999	September, 30 1999
Current Liabilities:			
Short-term bank loans.....	¥ 75,608	¥ 83,154	\$ 706,947
Notes and accounts payable:			
Notes.....	11,475	11,568	107,293
Accounts.....	36,957	37,129	345,554
	48,433	48,698	452,856
Accrued expenses.....	4,219	4,904	39,448
Accrued income taxes.....	2,486	1,795	23,245
Other current liabilities.....	24,741	25,632	231,332
Total current liabilities.....	155,489	164,185	1,453,848
Long-Term Liabilities:			
Long-term debt.....	47,826	50,328	447,181
Retirement allowances.....	10,724	10,731	100,271
Other long-term liabilities.....	3,603	3,498	33,689
Total long-term liabilities.....	62,154	64,559	581,150
Minority Interests in Consolidated Subsidiaries.....	3,347	2,930	31,295
Shareholders' Equity:			
Common stock, par value ¥50 per share:			
Authorized—I,181,814,000 shares			
Issued and outstanding:			
Sept. 30, 1999—635,310,820 shares.....	53,229	—	497,700
March 31, 1999—642,993,820 shares.....	—	53,229	—
Capital surplus.....	40,364	42,820	377,410
Retained earnings.....	56,033	51,267	523,918
Less treasury common stock, at cost.....	1	(2)	9
Total shareholders' equity.....	149,625	147,315	1,399,018
Contingent Liabilities:			
Total.....	¥370,616	¥378,990	\$3,465,320

NOTE TO CONSOLIDATED FINANCIAL STATEMENTS

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

SUBSIDIARIES AND AFFILIATES

As of September 30, 1999

Principal Domestic Subsidiaries (Consolidated)

Company	Issued share capital (Millions of yen)	Principal activities
• Man-Made Fibers		
MRC Tex Co., Ltd.	99	Production and sales of spun yarn
Tosen Co., Ltd.	60	Dyeing, processing and sales of textile products
Dia Textile Inc.	36	Wholesale of fabric
Ryoko Sizing Co., Ltd.	50	Sizing of acetate
Eikoh Corporation	30	Sewing and sales of women's clothes
Dia Fashion Planning Co., Ltd.	20	Planning and developing of fabric materials
Dia Mode Co., Ltd.	30	Sales of fabric and clothes
Mitsubishi Burlington Co., Ltd.	800	Production and sales of carpets, interior decoration
• Chemicals/Resins and Plastics		
Costem Yoshida Co., Ltd.	40	Sales of dry ice and cryogenic equipment, etc.
Diafloc Co., Ltd.	325	Production and sales of high molecule weight flocculants and industrial cleaners
Nitto Institute of Chemical Research Co., Ltd.	30	Production and sales of perfumes, functional monomers and catalysts
Shinko Gosei Co., Ltd.	40	Production and sales of MMA sheets
Diatec Co., Ltd.	95	Production and sales of dial plates
Toei Kasei Co., Ltd.	18	Production and sales of coating and reagents
Fukushima Toei Co., Ltd.	20	Production and sales of coating and reagents
• Specialty Products		
MRC Composite Products Co., Ltd.	50	Production and sales of carbon fiber composites
MRC Kodai Co., Ltd.	150	Processing of plastics products, membranes and medical products
MRC Home Products Co., Ltd.	50	Sales of water purifiers for home and industrial use
• Others		
Mitsubishi Rayon Engineering Co., Ltd.	2,000	Engineering, real estate and insurance
Ryoko Co., Ltd.	100	Sales of MMA-related products, construction of sports facilities
MRC Information Systems Co., Ltd.	50	Information systems
MRC Techno Research Inc.	20	Technological information services
MRC Finance Co., Ltd.	30	Finance
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
MRC Polysaccharide Co., Ltd.	50	Processing and sales of polysaccharide
Nitto FRP Techno Co., Ltd.	100	Production and sales of FRP products
Nitto Gypsum Board Co., Ltd.	200	Production and sales of construction materials
Ryoko Electronics Industries, Ltd.	408	Production and sales of printed circuit boards
Nitto Unitech Co., Ltd.	16	Contract work and storage of chemicals

Principal Overseas Subsidiaries (Consolidated)

Company	Issued share capital (Millions)	Principal activities
P.T. Vonex Indonesia	IDR8,366	Production and sales of acrylic yarn
Qingdao Lingtong Textile Co., Ltd.	CNY42.9	Production and sales of acrylic yarn
Dianal America, Inc.	US\$25	Production and sales of coating resins
Grafil, Inc.	US\$1.2	Production and sales of carbon fibers
Newport Adhesives and Composites, Inc.	US\$2.1	Production and sales of adhesives and composites
MRC Hong Kong Co., Ltd.	HK\$1.4	Sales and information services
Mitsubishi Rayon America Inc.	US\$0.8	Sales and information services
MRC Asia (Thailand) Ltd.	TB12	Sales and information services
MRC Holdings (America), Inc.	US\$54	Holding company
Mirwec Film, Inc.	US\$2.7	Production and sales of polypropylene film

Principal Affiliates (Accounted For By Equity Method)

Company	Issued share capital (Millions)	Principal activities
Du Pont-MRC Co., Ltd.	JPY1,000	Production and sales of artificial marbles
Du Pont MRC Dry Film Ltd.	JPY100	Production and sales of dry film photoresist
Leilian Co., Ltd.	JPY600	Sales of ready-made women's clothes
Kawagoe & Co., Ltd.	JPY300	Wholesale of textile products
Tomoe Chemical Industry Co., Ltd.	JPY200	Production and sales of chemical fertilizers and agricultural materials
Metablen Company B.V.	NLG81	Production and sales of plastics modifiers
Metco North America, Inc.	US\$36.8	Production and sales of plastics modifiers
Thai MMA Co., Ltd.	TB1300	Production and sales of MMA monomer
Suzhou Sanyouli Chemicals Co., Ltd.	CNY20.4	Production and sales of BMA monomer

CORPORATE DIRECTORY

As of September 30, 1999

BOARD OF DIRECTORS
AND CORPORATE
AUDITORS*President*

Eiichi Taguchi

*Senior Managing Directors*Tsunehiro Kawai
Shigeki Yamaguchi
Yoshiyuki Sumeragi*Managing Directors*Koji Mimura
Hideaki Kawata
Yahide Kotake
Isao Yamamoto
Toshio Koike*Directors*Hideharu Abe
Masanao Kanbara
Tomonobu Kokubu
Isao Sasaki
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

1,181,814,000 shares

Issued and Outstanding Shares

635,310,820 shares

Employees

4,436

*Major 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*104,349
(including those holding less than one unit)*Major Shareholders*The Sumitomo Trust & Banking Co., Ltd.,
Trust Account
The Bank of Tokyo-Mitsubishi, Ltd.
Meiji Life Insurance Company
The Mitsubishi Trust and Banking Corp.
Nippon Life Insurance Company
The Mitsubishi Trust and Banking Corp.,
Trust Account
The Industrial Bank of Japan, Ltd.
Mitsubishi Heavy Industries, Ltd.
The Dai-Ichi Kangyo Bank, Ltd.
The Toyo Trust and Banking Co., Ltd.,
Trust Accounts "A"

OFFICES

*Head Office**(Public Relations Office)*
6-4I, Konan 1-chome, Minato-ku,
Tokyo 108-8506, Japan
Phone: (03) 5495-3100
Fax: (03) 5495-3184
E-mail: koho@mrc.co.jp*Osaka Branch*OAP Tower, 8-30, Tenmabashi 1-chome,
Kita-ku, Osaka 530-6040, Japan
Phone: (06) 6881-6327
Fax: (06) 6881-6338*Nagoya Branch**Hokuriku Office**Otake Production Center**Toyobashi Production Center**Toyama Production Center**Yokohama Production Center**Hachinohe Factory**Corporate Research Laboratories**Products Development Laboratories**Chemicals Development Laboratories**Polyester Development Laboratories**Tokyo Technology & Information Center*

OVERSEAS SERVICE BASES

*Mitsubishi Rayon America Inc.*520 Madison Avenue,
New York, NY 10022 U.S.A.
Phone: (212) 759-5605
Fax: (212) 355-7994*MRC Asia (Thailand) Ltd.*175 Sathorn City Tower, Rm 1307,
South Sathorn Road,
Bangkok 10120 Thailand
Phone: (2) 679-6351
Fax: (2) 679-6354*MRC Hong Kong Co., Ltd.*Room 801, Tower 3,
China Hong Kong City,
33 Canton Road, Tsimshatsui,
Kowloon, Hong Kong
Phone: 2368-0121
Fax: 2724-4174Please visit our Internet website at,
<http://www.mrc.co.jp/english/index.html>



6-41, KONAN 1-CHOME, MINATO-KU, TOKYO 108-8506, JAPAN