

Interim Results Presentation

Fiscal Year 2005

(ending March 31, 2006)

This English translation contains modified extracts from an interim results presentation held on November 16, 2005. Forecasts contained in this material are based on information available at the time of presentation, and no commitment or guarantee is given that business policies will be implemented or target figures achieved.

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FY2005 Consolidated Interim Results

(Billion yen)

	1H FY2005	1H FY2004	Change	Change (%)
Net sales	207.0	190.1	16.9	8.9%
Operating income	15.7	13.9	1.8	13.1%
Equity method investment profit	6.4	5.4	1.0	17.8%
Ordinary income	20.6	17.3	3.4	19.5%
Net income before tax	20.4	14.9	5.4	36.5%
Net income	14.8	11.8	3.1	26.3%
Interest-bearing debt	166.5	178.4	(11.9)	(6.7%)
Total assets	518.5	485.4	33.1	6.8%

- Raw material and energy prices continued the steep rises seen in the second half of the previous fiscal year
- Although demand in certain product areas softened, overall demand strengthened
- By increasing unit prices we covered the majority of cost increases arising from higher raw material, energy and purchasing prices
- Strong demand for polycarbonates and electronic materials-related products led to revenues above initial forecast
- Net sales up ¥16.9 billion. Non-consolidated sales increased ¥15.1 billion, of which 80% was due to price increases
- Equity method investment profit increased, underpinned by strong results from methanol and engineering plastics affiliates

Note: All comparisons are with the interim period of the previous fiscal year, unless stated otherwise

FY2005 Consolidated Interim Results by Segment

(Billion yen)

		1H FY2005	1H FY2004	Change
Natural Gas Chemicals Company	Net sales	58.9	56.4	2.5
	Operating income	2.4	2.4	0.0
Aromatic Chemicals Company	Net sales	61.4	54.0	7.4
	Operating income	2.6	3.1	(0.5)
Specialty Chemicals Company	Net sales	59.7	52.0	7.7
	Operating income	5.3	3.6	1.8
Information & Advanced Materials Company	Net sales	30.8	30.5	0.3
	Operating income	4.9	4.6	0.3
Others	Net sales	0.8	1.2	(0.4)
	Operating income	0.2	0.2	0.0
Eliminations and Corporate	Net sales	(4.7)	(4.0)	(0.6)
	Operating income	0.2	(0.0)	0.3
Total	Net sales	207.0	190.1	16.9
	Operating income	15.7	13.9	1.8

Note: All comparisons are with the interim period of the previous fiscal year, unless stated otherwise

Results & Forecasts: Natural Gas Chemicals Company

(Billion yen)

	Results and forecasts for FY2005			Results for FY2004			Change
	1H (actual)	2H (forecast)	Total (a)	1H (actual)	2H (actual)	Total (b)	a - b
Net sales	58.9	61.3	120.2	56.4	60.8	117.2	3.0
Operating income	2.4	3.5	5.9	2.4	4.1	6.6	(0.7)

1H results

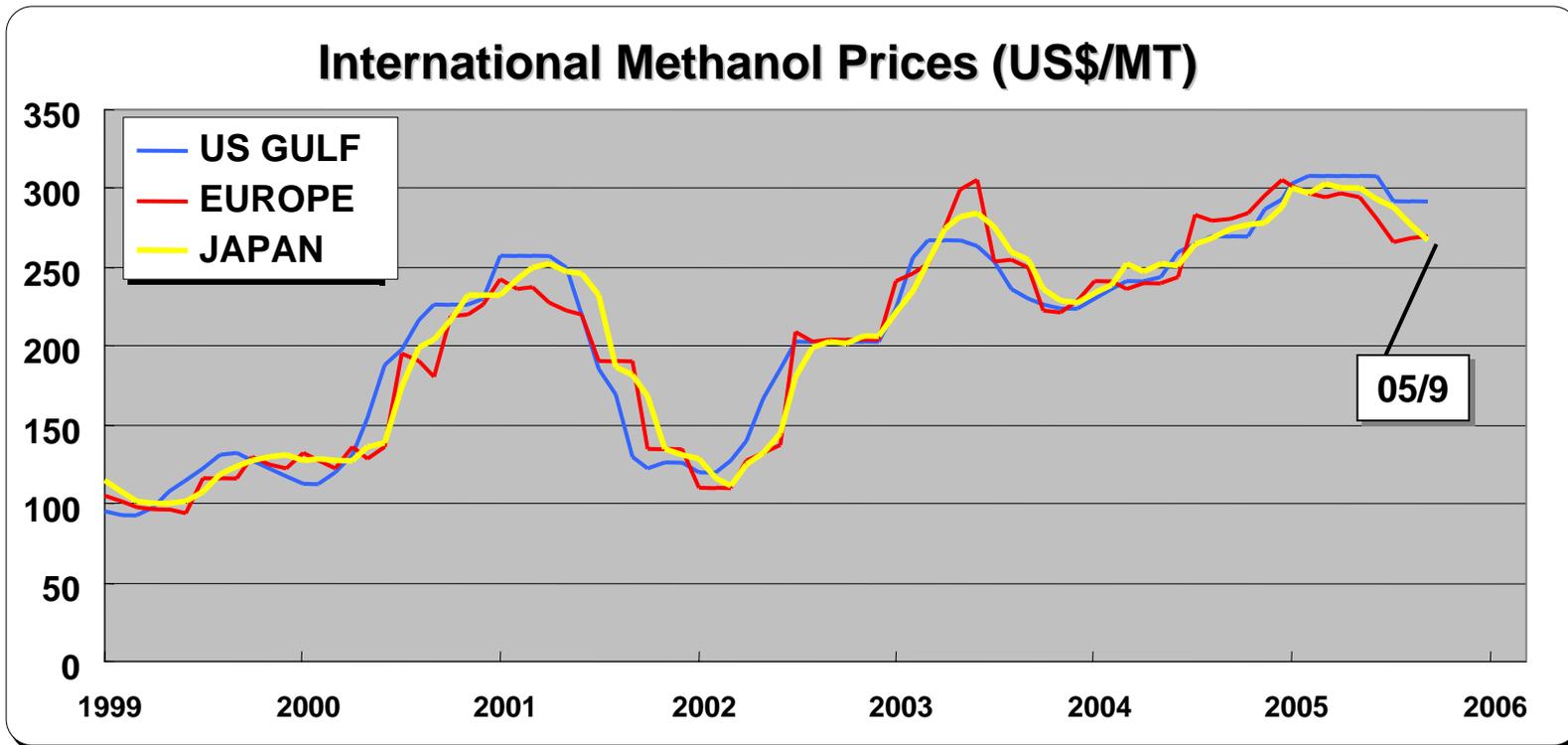
- **Methanol:** Prices at start of period remained at high levels seen in second half of previous fiscal year. The international market softened from around June as China reduced import volumes, but prices remained high. Equity method investment profit from overseas methanol businesses exceeded first half of previous fiscal year
- **Methanol & ammonia derivatives:** Sales volumes of certain products declined due to inventory adjustments and market softening, but overall sales volumes and prices strengthened
- **Enzymes & coenzymes:** The strong demand seen in the previous fiscal year for coenzyme Q₁₀ continued, and revenues increased
- **Natural gas & other energy:** Revenues were strong due to the effects of steep rises in crude oil prices

Full-year forecasts

- **Methanol:** Market expected to pick up again from October. Supply likely to remain tight until 2008. Equity method investment profit envisaged as being in line with initial forecast
- **Methanol & ammonia derivatives:** Level of demand seen in first half expected to continue. Aiming to adjust prices to improve profitability in light of cost increases arising from rise in prices of raw materials
- **Enzymes & coenzymes:** Strong demand for coenzyme Q₁₀ expected to continue
- **Natural gas & other energy:** Oil prices expected to remain high, resulting in strong revenues

Note: All comparisons are with the interim period of the previous fiscal year, unless stated otherwise

Trends in Methanol Prices (ref.)



The international methanol market softened from around June 2005, primarily because China reduced imports and increased domestic production in the face of high international prices. However, the market appears to have bottomed out and is expected to rebound due to the following factors:

- The fall in prices has led to a decrease in domestic production in China
- Due to a sharp rise in natural gas prices in Europe and the U.S., marginal or unprofitable plants have ceased operations or reduced production ahead of plan, and global supply has reduced.
- Production start up at some new plants has been delayed, and other companies have had production problems.
- Demand remains strong, driven by Asia

Topics: Natural Gas Chemicals Company

<p>Methanol plant construction and expansion plan</p>	<p><u>Plant expansion</u></p> <p>Saudi Arabia (5th plant): Under construction for planned completion January 2008.</p> <p>Venezuela (2nd plant): Commencing basic engineering</p> <p><u>New plants</u></p> <p>Brunei Darussalam: Aiming to establish a joint venture company within 2005.</p> <p>Chongquin, China: Detailed feasibility study currently in progress</p>
<p>Increase Coenzyme Q₁₀ production</p>	<p>Demand for coenzyme Q₁₀ for use in health foods is increasing worldwide. The Niigata plant is currently producing 30 tons per year, and this will be expanded to 70 tons per year by mid-2006. Further expansion may be considered depending on the market environment.</p>
<p>Develop methanol derivatives in China</p>	<p>A methanol derivatives manufacturing plant will be established in Nanjing. The first stage of development entails starting production of methylamine, dimethylformamide and dimethylacetamide from the end of 2007.</p> <p>Production of trimethylolpropane is planned for the second stage.</p>
<p>Launch polyvalent alcohols joint ventures</p>	<p>A joint venture company, Polyols Asia Company LTD., has been formed with Mitsubishi Chemical Corporation, with operations beginning in November 2005. This alliance aims to boost competitiveness through the creation of a unified business structure, from raw materials through to the manufacture and sale of polyvalent alcohols.</p>

Results & Forecasts: Aromatic Chemicals Company

(Billion yen)

	Results and forecasts for FY2005			Results for FY2004			Change
	1H (actual)	2H (forecast)	Total (a)	1H (actual)	2H (actual)	Total (b)	a - b
Net sales	61.4	65.3	126.7	54.0	57.3	111.3	15.4
Operating income	2.6	1.9	4.5	3.1	3.8	6.9	(2.3)

1H results

- **Commodity aromatic chemicals:** Revenues from para-xylene and purified terephthalic acid increased due to the flow through of higher raw materials prices, but profitability declined
- **Specialty aromatic chemicals:** Overall profitability declined due to the impact of higher raw material prices. Demand for meta-xylenediamine(MXDA) and MX nylon strengthened, and MGC ADVANCED POLYMERS, INC., the Company's production and sales joint venture in the U.S., began commercial production of MX nylon. Demand for isophthalate acid was also strong

Full-year forecasts

- **Commodity aromatic chemicals:** Continued high raw material prices are expected to reduce profitability in para-xylene and purified terephthalic acid
- **Specialty aromatic chemicals:** The high level of demand for MXDA and MX nylon seen in the first half is expected to continue, and sales efforts will focus on expanding business in Europe and the U.S.

Note: All comparisons are with the interim period of the previous fiscal year, unless stated otherwise

Para-xylene, Mixed xylene, Benzene Prices (ref.)

(¥/kg)

	FY2005				FY2004	
	2H		1H		2H Actual	1H Actual
	Forecast	Initial forecast	Actual	Initial forecast		
Para-xylene ACP	117	101	101	101	102	89
Mixed xylene (Official price)	86	68	69	68	67	59
Benzene CFR Taiwan	78	82	93	82	96	101

- Prices for mixed xylene expected to rise further due to impact of high oil prices, and price spread between mixed xylene and paraxylene likely to shrink further
- Benzene prices expected to be lower than initial forecast for the second half, after exceeding forecast for the first half of the fiscal year

Topics: Aromatic Chemicals Company

Restructuring of xylene business

A new alliance agreement has been reached with Nippon Oil Corporation for para-xylene operations, under which Mizushima Paraxylene Co., Ltd. (owned 51% by Nippon Oil Corporation, 49% by MGC) will be jointly managed by the alliance partners from April 2006.

Under this arrangement we are reducing our involvement in the paraxylene business with its high risk of fluctuating earnings, other than that necessary for use by affiliate company Mizushima Aroma Co., Ltd in its production of purified terephthalic acid.

At the same time we are boosting production of meta-xylene in order to strengthen operations in this area. In addition, we are boosting production of MXDA and creating a stable supply structure from two locations, with the establishment of a new MXDA production facility at the Mizushima Plant.

Revised Xylene Business Organization

Nippon Oil Corporation

Mixed xylene

MGC

Mixed xylene

MGC
m-Xylene & o-xylene separation

Mizushima Paraxylene Co., Ltd.
 • p-Xylene separation
 • Isomerization

Nippon Oil Corporation

p-Xylene

350,000 t/y

MGC

m-Xylene
 o-xylene

Total:
200,000 t/y

* Mixed xylene is a combination of p-xylene, m-xylene, o-xylene and others.

Results & Forecasts: Specialty Chemicals Company

(Billion yen)

	Results and forecasts for FY2005			Results for FY2004			Change
	1H (actual)	2H (forecast)	Total (a)	1H (actual)	2H (actual)	Total (b)	a - b
Net sales	59.7	64.1	123.8	52.0	56.1	108.1	15.7
Operating income	5.3	7.3	12.7	3.6	5.8	9.4	3.3

1H results

- **Inorganic chemicals:** Although shipment volumes of hydrogen peroxide for paper pulp and industrial pharmaceutical applications increased, earnings decreased due to higher raw material costs
- **Electronic Chemicals:** Domestic and foreign sales of products for the manufacturing of LCD and semiconductor components were strong, underpinned by a recovery in the semiconductor market and the opening of new production lines
- **Engineering plastics:** Shipments of polycarbonates increased on the back of robust demand, particularly in Asia. Unit prices also increased due to tight supply. Shipments of polycarbonate film increased, with strong demand for applications in flat panel displays. Shipments of polyacetal declined, with inventory adjustments by customers particularly in China

Full-year forecasts

- **Inorganic chemicals:** Aiming to adjust prices to improve profitability in light of cost increases arising from rise in prices of raw materials
- **Electronic Chemicals:** Sales volumes are expected to continue growing
- **Engineering plastics:** Earnings expected to exceed initial forecasts, with continued tight supply of polycarbonates. Shipments of polyacetal expected to recover as inventory adjustment ends

Note: All comparisons are with the interim period of the previous fiscal year, unless stated otherwise

Topics: Specialty Chemicals Company

<p>Strengthen hydrogen peroxide business</p>	<p>Agreed to the acquisition of 50% of issued shares of Shinsanso Kakaku Co. from Dainippon Ink And Chemicals, Incorporated subject to approval by the Fair Trade Commission</p>
<p>Increase polycarbonate and polyacetal production capacity</p>	<p>Currently engaged in planning to enhance production capacity through de-bottlenecking at manufacturing facilities listed below.</p> <p>Polycarbonate: Kajima Plant, Thai Polycarbonate Company</p> <p>Polyacetal: Thai Polyacetal Company</p>
<p>Integrate polycarbonate sheet and film business</p>	<p>Established MGC Filesheet Co., Ltd. from the integration of Osaka plant (sheet operation production facility) and consolidated subsidiary Fuji Kasei Co., Inc. (film production facility). This will meet the needs of the market by combining the development and technological strengths of both businesses.</p> <p>MGC Filesheet sales</p> <p>FY2004: ¥12.0 billion (Osaka plant + Fuji Kasei Co., Inc.)</p> <p>FY2008: Target ¥20.0 billion</p>

Results & Forecasts: Information & Advanced Materials Company

(Billion yen)

	Results and forecasts for FY 2005			Results and forecasts for FY 2004			Change
	1H (results)	2H (forecast)	Total (a)	1H (results)	2H (forecast)	Total (b)	a - b
Net sales	30.8	34.0	64.9	30.5	27.4	57.9	7.0
Operating income	4.9	4.6	9.5	4.6	2.8	7.4	2.1

1H results

- **Electronic materials:** Sales volumes of BT resin materials remained similar to the first half of last fiscal year due to an increase in semiconductor sales volumes following the revival in the semiconductor market and increased sophistication of digital equipment. Sales of commodity epoxy resin materials declined and despite implementing a shift to high-end products product launches were delayed resulting in decreased sales volumes. Sales of LE Sheet were strong
- **Oxygen absorbers:** Although sales volumes of exports to the food industry decreased due to intensified competition, domestic sales and sales of products for other applications were strong with revenues similar to the first half of last fiscal year

Full-year forecasts

- **Electronic materials:** The strong sales seen in the first half are expected to continue. The Q4 market is expected to be affected by seasonal demand fluctuations; however, unlike Q4 last fiscal year, we do not forecast substantial declines
- **Oxygen absorbers:** The sales trend seen in the first half is expected to continue. We will focus on improving the profitability of products in response to intensifying price competition

Note: All comparisons are with the interim period of the previous fiscal year, unless stated otherwise

FY2005 Consolidated Full-year Results and Forecasts

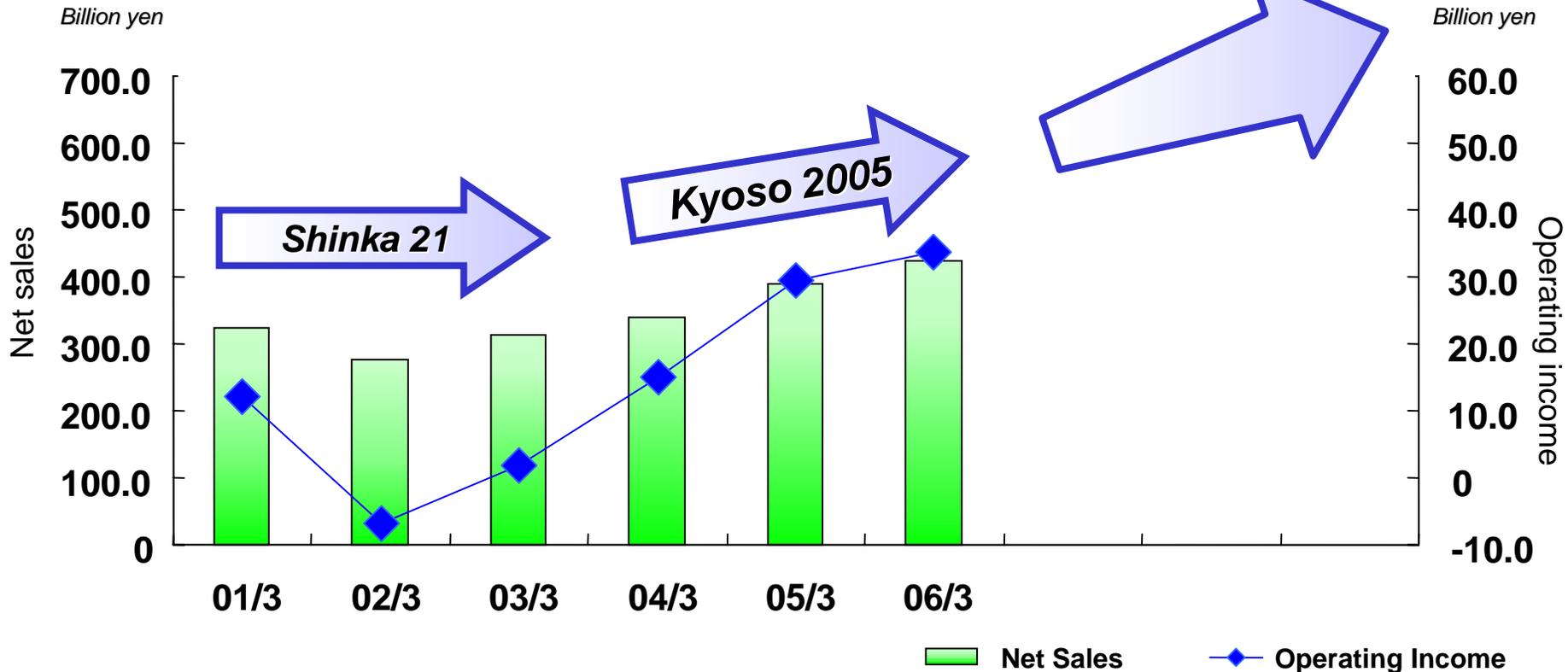
(Billion yen)

	FY2005 (Forecasts)	FY2004 (Results)	Change
Net sales	425.0	388.6	36.4
Operating income	32.5	30.9	1.6
Equity method investment profit	12.8	11.8	1.0
Ordinary income	41.5	37.7	3.8
Net income before tax	36.7	29.3	7.4
Net income	27.5	23.3	4.2

- In the second half of fiscal 2005 we forecast a continuation of strong demand and high prices seen in the first half, despite concerns of further steep rises in raw material and energy prices
- Main extraordinary losses this fiscal year are expected to be ¥1.5 billion in amortization of exploration expenses and ¥3.5 billion in loss on sale of assets, etc.
- Interim and year-end dividends ¥4.0 (each up by ¥0.5)

The Next Medium-term Management Plan

Move from a period of structural reform, improving profitability and strengthening financial fundamentals to... *... the next stage: targeting further growth*
 (medium-term plan from April 2006)



Highlights of the Next Medium-term Management Plan

I. Respond to global competition—reinforce our Asian presence

Overseas development of core businesses:

- Methanol (Saudi Arabia, Venezuela, Borneo, Chongqing)
- Methanol derivative products (Nanjing), Polycarbonate, hydrogen peroxide (China), etc.

II. Concentrate business resources in businesses with clear competitive advantage

MGC's businesses with competitive advantage:

Coenzyme Q₁₀, MX nylon and other specialty aromatic chemicals;
polycarbonate sheet & film, ELM Clean series (electronic chemicals);
BT resin materials for PWB, etc.

III. Cultivate new businesses

Sustain our efforts to cultivate new core businesses