

January 16, 2009

**Notification regarding extraordinary loss arising from
structural reform of acrylic fibers business**

Mitsubishi Rayon Co., Ltd. herewith reports the recognition of an extraordinary loss for the third quarter (Oct.-Dec.) of fiscal 2008, the term ending March 31, 2009.

1. Amount and nature of extraordinary loss

Mitsubishi Rayon Co., Ltd. has recognized an extraordinary loss on a consolidated basis for the third (Oct.-Dec.) quarter of fiscal 2008, stemming from the structural reform of the Company's acrylic fibers business (which is conducted at the Otake Production Center in Japan and by subsidiary Ningbo Rayon Acrylic Fibers Co., Ltd. in China) in the approximate amount of ¥13 billion.

2. Causes of extraordinary loss

In line with a rise in the market price of acrylonitrile, which is the principal raw material from which acrylic fibers are produced, as well as a decline in worldwide demand for acrylic fibers as a result of this price rise and a parallel shift in demand to less expensive polyester fibers, the acrylic fiber operations carried out by Mitsubishi Rayon have been in the red for the past several years. To solve this problem, we have taken a variety of steps, including raising acrylic fiber selling prices, expanding the ratio of high value-added products, and reducing production volumes at both the Otake Production Center and our Chinese subsidiary Ningbo Rayon. Unfortunately, these measures have not met with sufficient success, and we have been forced to conclude that there is little hope of a significant recovery in profitability over the medium-to-long term. We have therefore taken the decision to apply impairment accounting to the property, plant and equipment involved in our acrylic fiber operations.

3. Structural reform of acrylic fibers business

As part of the Mitsubishi Rayon Group's sixth medium-term management plan, in operation from FY2008 through FY2010, we are resolutely pursuing a priority plan involving the restructuring of problem operations, which includes our acrylic fibers business. Since the start of the current business term we have taking a range of measures, most notably with respect to our spinning business and fiber business for niche markets. As the finishing step in the restructuring of our acrylic fibers business,

we recently downsized fiber production operations and posted the above-described extraordinary losses. From here onward, we will be proceeding with further restructuring measures in line with the goals laid out in our medium-term management plan; details are described below.

(a) Otake Production Center

The production capacity for regular types of fiber will be reduced sharply, while that for competitive high value-added types will be expanded. The total fiber production capacity will be reduced from 130,000 tonnes per year to 52,000 tonnes. The use of certain facilities will be switched to the production of carbon fiber precursor materials. As the Mitsubishi Rayon Group possesses a comprehensive production system handling all materials and processes from the ultimate raw material acrylonitrile (AN) through precursor materials, carbon fibers, prepreg (resin-impregnated fiber tows), and composite materials to the processing of finished products, we intend to further reinforce our AN product chain, particularly by leveraging our strengths in the precursor field.

(b) Ningbo Rayon

Production volume has been reduced gradually at Ningbo Rayon Acrylic Fibers Co., Ltd., and we are currently holding talks with the local investors in the company with a view to implementing a radical reform of its business model in the near future.

4. Performance forecasts for the business year ending March 31, 2009

The precise impact of the above-described extraordinary loss on the Company's consolidated business results for the fiscal 2008 full term is still being calculated, and a performance forecast will be released as soon as possible.