

CONSOLIDATED FINANCIAL RESULTS FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2004

(In accordance with Japanese accounting standards)

FOR IMMEDIATE RELEASE

Mitsubishi Rayon Company, Limited announces its consolidated financial results for the six-month period ended September 30, 2004

Consolidated Financial Highlights

(Millions of yen, except per share)

	Six months ended		Change	Year ended
	September 30	September 30		March 31
	<u>2004</u>	<u>2003</u>		<u>2004</u>
Net sales	161,738	152,475	6.1 %	309,593
Operating income	15,327	13,424	14.2 %	27,302
Net income	7,558	6,813	10.9 %	12,293
Amounts per share (yen):				
Net income:				
Basic	12.36	11.13		20.01
Diluted	-	-		-
Depreciation	7,454	7,616		15,782
Capital expenditures	11,338	6,904		15,020
R&D expenses	5,016	5,504		11,066

Consolidated Shareholders' Equity, Debts and Total Assets

(Millions of yen, except per share and ratio)

	Six months ended		Year ended
	September 30	September 30	March 31
	<u>2004</u>	<u>2003</u>	<u>2004</u>
Shareholders' equity	151,481	141,741	146,476
Equity ratio	44.0 %	42.0 %	42.8 %
Equity per share (yen)	247.72	231.75	239.44
Total debts	72,857	82,502	75,623
Total assets	344,308	337,390	342,300

Consolidated Cash Flows

(Millions of yen)

	Six months ended		Year ended
	September 30	September 30	March 31
	<u>2004</u>	<u>2003</u>	<u>2004</u>
Net cash provided by operating activities	17,717	12,467	22,189
Net cash used in investing activities	(8,988)	(5,915)	(8,953)
Net cash used in financing activities	(5,953)	(1,215)	(7,516)
Cash and cash equivalents at end of year	15,621	12,749	12,783

Number of Group Companies

Consolidated subsidiaries	51	51	52
Unconsolidated subsidiaries applying equity method	-	-	-
Equity method affiliates	23	25	24

Forecast for the year ending March 31, 2005

(Millions of yen)

	Year ending
	March 31
	<u>2005</u>
Net sales	330,000
Operating income	30,000
Net income	14,500
Depreciation	15,500
Capital expenditures	28,000
R&D expenses	10,500

Consolidated Statements of Operations

(Millions of yen)

	Six months ended		Year ended
	September 30 2004	September 30 2003	March 31 2004
Net Sales	161,738	152,475	309,593
Cost of Sales	120,766	113,030	230,235
Gross profit	40,971	39,445	79,358
Selling, General and Administrative Expenses	25,643	26,020	52,055
Operating income	15,327	13,424	27,302
Other Income (Expenses):			
Interest and dividend income	231	347	574
Interest expense	(590)	(667)	(1,249)
Equity in earnings of affiliates	851	1,155	1,546
Restructuring charges	(237)	(33)	(186)
Gain on sale of investment securities	38	542	937
Loss on revaluation of securities and investments	(390)	(222)	(341)
Provision for doubtful accounts	(7)	-	(630)
Other, net	(2,333)	(3,054)	(6,881)
	(2,437)	(1,931)	(6,230)
Income before income taxes and minority interest	12,890	11,492	21,071
Income Taxes:			
Current	4,263	3,484	7,908
Deferred	-	-	(1,412)
Income before minority interests	8,626	8,008	14,576
Minority Interests	(1,068)	(1,194)	(2,283)
Net income	7,558	6,813	12,293

(Yen)

	Six months ended		Year ended
	September 30 2004	September 30 2003	March 31 2004
Amounts per Share:			
Net income:			
Basic	12.36	11.13	20.01
Diluted	-	-	-
Cash dividends	3.50	3.00	6.00

Consolidated Balance Sheets

(Millions of yen)

	Six months ended September 30 2004	Year ended March 31 2004	Six months ended September 30 2003
[Assets]			
Current Assets:			
Cash and time deposits	15,641	12,849	12,912
Notes and accounts receivable:			
Notes receivable	10,150	10,673	10,183
Accounts receivable	65,156	66,619	56,072
Less allowance for doubtful accounts	(458)	(450)	(947)
	74,848	76,842	65,308
Inventories	39,000	38,719	41,743
Deferred tax assets	2,559	2,591	2,054
Other current assets	10,676	10,730	11,940
Total current assets	142,725	141,733	133,958
Property, Plant and Equipment:			
Land	22,859	23,975	24,218
Buildings	106,989	105,686	105,700
Machinery and equipment	338,376	339,058	338,430
Construction in progress	11,166	10,051	8,535
	479,393	478,771	476,884
Less accumulated depreciation	(349,276)	(350,793)	(346,681)
Property, plant and equipment, net	130,116	127,978	130,203
Investments and Other Assets:			
Investments in and advances to unconsolidated subsidiaries and affiliates	16,907	16,486	16,692
Investment securities	29,620	31,633	31,165
Deferred tax assets	15,006	14,381	14,324
Other assets	9,931	10,086	11,046
Total investments and other assets	71,466	72,588	73,228
Total assets	344,308	342,300	337,390

Consolidated Balance Sheets

(Millions of yen)

	Six months ended September 30 2004	Year ended March 31 2004	Six months ended September 30 2003
[Liabilities and Shareholders' Equity]			
Current Liabilities:			
Short-term bank loans	36,809	37,965	44,984
Current portion of long term debt	20,000	10,000	-
Notes and accounts payable:			
Notes payable	7,292	7,193	8,708
Accounts payable	41,351	41,356	36,851
	48,644	48,550	45,560
Accrued expenses	4,224	4,443	4,326
Accrued income taxes	4,322	4,622	2,784
Deferred tax liabilities	166	313	18
Other current liabilities	15,618	15,429	17,237
Total current liabilities	129,786	121,325	114,911
Long-Term Liabilities:			
Long-term debt	16,047	27,658	37,518
Retirement allowances	34,654	34,392	32,313
Deferred tax liabilities	279	305	163
Other long-term liabilities	2,671	2,622	2,657
Total long-term liabilities	53,653	64,978	72,653
Minority Interests in Consolidated Subsidiaries	9,386	9,520	8,084
Shareholders' Equity:			
Common stock	53,229	53,229	53,229
Capital surplus	33,955	33,952	34,522
Retained earnings	65,004	59,227	55,583
Revaluation difference	30	30	30
Unrealized gain (loss) on other securities	4,069	4,893	2,381
Foreign currency translation adjustments	(4,577)	(4,648)	(3,253)
Less treasury stock, at cost	(230)	(209)	(752)
Total shareholders' equity	151,481	146,476	141,741
Total liabilities and Shareholders' equity	344,308	342,300	337,390

Consolidated Statements of Shareholders' Equity

(Millions of yen)

	Common stock	Capital surplus	Retained earnings	Revaluation difference	Unrealized gain (loss) on other securities	Foreign currency translation adjustments	Treasury stock
Balance at March 31, 2003	53,229	34,522	50,609	30	(902)	(3,319)	(2)
Effect of decrease in equity method affiliates	-	-	3	-	-	-	-
Bonuses to directors	-	-	(1)	-	-	-	-
Staff and workers bonus and welfare fund	-	-	(0)	-	-	-	-
Cash dividends paid	-	-	(3,677)	-	-	-	-
Liquidation of treasury stock	-	(569)	-	-	-	-	-
Net income for the year ended March 31, 2004	-	-	12,293	-	-	-	-
Unrealized holding gain on securities	-	-	-	-	5,795	-	-
Foreign currency translation adjustments	-	-	-	-	-	(1,329)	-
Net change in treasury stock	-	-	-	-	-	-	(207)
Balance at March 31, 2004	53,229	33,952	59,227	30	4,893	(4,648)	(209)
Effect of decrease in equity method affiliates	-	-	74	-	-	-	-
Bonuses to directors	-	-	(20)	-	-	-	-
Staff and workers bonus and welfare fund	-	-	(1)	-	-	-	-
Cash dividends paid	-	-	(1,834)	-	-	-	-
Profit on sale of treasury stock	-	3	-	-	-	-	-
Net income for six months ended September 30, 2004	-	-	7,558	-	-	-	-
Unrealized holding loss on securities	-	-	-	-	(824)	-	-
Foreign currency translation adjustments	-	-	-	-	-	71	-
Net change in treasury stock	-	-	-	-	-	-	(21)
Balance at September 30, 2004	53,229	33,955	65,004	30	4,069	(4,577)	(230)
Balance at March 31, 2003	53,229	34,522	50,609	30	(902)	(3,319)	(2)
Effect of decrease in equity method affiliates	-	-	3	-	-	-	-
Bonuses to directors	-	-	(1)	-	-	-	-
Staff and workers bonus and welfare fund	-	-	(0)	-	-	-	-
Cash dividends paid	-	-	(1,842)	-	-	-	-
Net income for six months ended September 30, 2003	-	-	6,813	-	-	-	-
Unrealized holding gain on securities	-	-	-	-	3,283	-	-
Foreign currency translation adjustments	-	-	-	-	-	66	-
Net change in treasury stock	-	-	-	-	-	-	(750)
Balance at September 30, 2003	53,229	34,522	55,583	30	2,381	(3,253)	(752)

Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended		Year ended
	September 30 2004	September 30 2003	March 31 2004
Operating Activities:			
Income before income taxes and minority interests	12,890	11,492	21,071
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	7,523	7,670	16,048
Goodwill amortization	70	71	143
Increase (decrease) in retirement allowances	806	1,934	3,942
(Decrease) increase in allowance for doubtful accounts	(95)	(119)	321
Equity in earnings of affiliates	(851)	(1,155)	(1,546)
Interest expense	590	667	1,249
Loss on valuation of securities and investments	390	222	341
Decrease (increase) in trade receivables	1,937	2,934	(8,709)
(Increase) decrease in inventories	(316)	(2,339)	154
Increase (decrease) in trade payables	110	(3,448)	(0)
Bonuses to directors	(21)	(2)	(2)
Other, net	(252)	(563)	(2,651)
Subtotal	22,780	17,364	30,363
Interest and dividend received	229	345	576
Interest paid	(590)	(666)	(1,248)
Income taxes paid	(4,700)	(4,576)	(7,501)
Net cash provided by operating activities	17,717	12,467	22,189
Investing Activities:			
Proceeds from sale of property, plant and equipment	1,670	577	1,478
Purchases of property, plant and equipment	(10,742)	(7,048)	(14,608)
Purchases of investment securities	(23)	(39)	(50)
Proceeds from sale of investment securities	259	1,025	4,944
(Decrease) increase in short-term loans receivable	(3)	15	(175)
Long-term loans advanced	-	(2)	(2)
Other, net	(149)	(444)	(539)
Net cash used in investing activities	(8,988)	(5,915)	(8,953)
Financing Activities:			
Proceeds from long-term loans	863	-	2,899
(Decrease) increase in short-term bank loans	(2,753)	1,364	(2,292)
Repayment of long-term loans	(1,017)	(487)	(4,952)
Redemption of debentures	-	(10,000)	(10,000)
Issuance of debentures	-	10,000	10,000
Acquisition of treasury stock	(32)	(750)	(777)
Cash dividends paid	(3,964)	(2,746)	(4,609)
Proceeds from issue of shares to minority shareholders	938	1,406	2,216
Other, net	11	(1)	(1)
Net cash used in financing activities	(5,953)	(1,215)	(7,516)
Effect of exchange rate changes on cash and cash equivalents	61	11	(335)
Net increase in cash and cash equivalents	2,837	5,349	5,383
Beginning balance of cash and cash equivalents	12,783	7,400	7,400
Cash and cash equivalents at end of year	15,621	12,749	12,783

Business Segment Information

(Millions of yen)

Six months ended	Chemicals and	Fibers	Specialty Products, Engineering and Others	Total	Eliminations	Consolidated
September 30, 2004	Plastics				or corporate	
Sales and operating income						
Sales to third parties	68,864	44,931	47,941	161,738	-	161,738
Intergroup sales and transfers	4,100	49	15,133	19,284	(19,284)	-
Total Sales	72,965	44,981	63,074	181,022	(19,284)	161,738
Operating expenses	62,975	43,164	59,580	165,719	(19,309)	146,410
Operating income	9,990	1,817	3,494	15,302	25	15,327

Six months ended	Chemicals and	Fibers	Specialty Products, Engineering and Others	Total	Eliminations	Consolidated
September 30, 2003	Plastics				or corporate	
Sales and operating income						
Sales to third parties	63,668	46,009	42,797	152,475	-	152,475
Intergroup sales and transfers	4,100	67	13,395	17,563	(17,563)	-
Total Sales	67,769	46,076	56,193	170,039	(17,563)	152,475
Operating expenses	57,280	43,757	55,512	156,550	(17,499)	139,051
Operating income	10,488	2,319	681	13,489	(64)	13,424

Year ended March 31, 2004	Chemicals and	Fibers	Specialty Products, Engineering and Others	Total	Eliminations	Consolidated
	Plastics				or corporate	
Sales and operating income						
Sales to third parties	125,196	90,816	93,580	309,593	-	309,593
Intergroup sales and transfers	8,511	131	27,380	36,024	(36,024)	-
Total Sales	133,708	90,948	120,961	345,617	(36,024)	309,593
Operating expenses	113,039	87,117	118,119	318,276	(35,985)	282,290
Operating income	20,668	3,830	2,841	27,341	(38)	27,302

Geographical Segment Information

(Millions of yen)

Six months ended September 30, 2004	Japan	Asia	United States of America	Total	Eliminations or corporate	Consolidated
Sales and operating income						
Sales to third parties	141,616	11,206	8,914	161,738	-	161,738
Intergroup sales and transfers	3,840	2,870	476	7,186	(7,186)	-
Total Sales	145,456	14,077	9,390	168,925	(7,186)	161,738
Operating expenses	132,490	12,034	8,883	153,407	(6,997)	146,410
Operating income	12,966	2,043	507	15,517	(189)	15,327

Six months ended September 30, 2003	Japan	Asia	United States of America	Total	Eliminations or corporate	Consolidated
Sales and operating income						
Sales to third parties	136,079	8,673	7,722	152,475	-	152,475
Intergroup sales and transfers	3,968	3,999	383	8,351	(8,351)	-
Total Sales	140,047	12,673	8,106	160,827	(8,351)	152,475
Operating expenses	129,104	10,376	7,849	147,329	(8,278)	139,051
Operating income	10,943	2,297	257	13,497	(72)	13,424

Year ended March 31, 2004	Japan	Asia	United States of America	Total	Eliminations or corporate	Consolidated
Sales and operating income						
Sales to third parties	278,196	16,855	14,541	309,593	-	309,593
Intergroup sales and transfers	8,230	7,061	1,562	16,854	(16,854)	-
Total Sales	286,427	23,916	16,103	326,447	(16,854)	309,593
Operating expenses	263,802	19,572	15,675	299,050	(16,759)	282,290
Operating income	22,624	4,343	428	27,396	(94)	27,302

Sales by Customer's Geographical Location

(Millions of yen)

	Six months ended		Year ended
	September 30 2004	September 30 2003	March 31 2004
Sales designated for:			
Japan	96,221	98,824	200,798
Asia	44,143	34,650	72,022
Other	21,373	19,000	36,772
Total	161,738	152,475	309,593